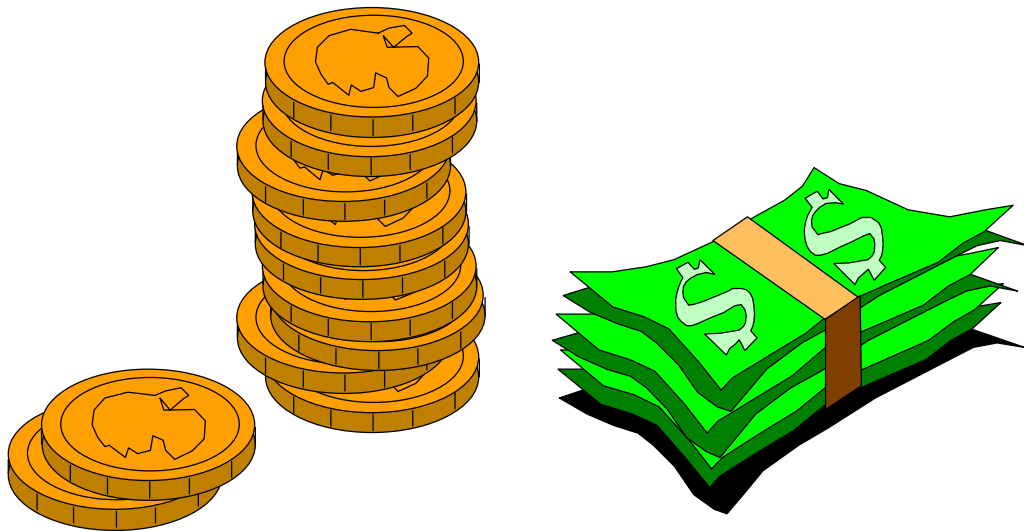


# **SURVIVOR BENEFIT PLAN (SBP)**



## **COUNSELOR'S GUIDE**

**NP 15603A**

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## **INTRODUCTION**

The “Survivor Benefit Plan (SBP) Counselor’s Guide” has been completely revised and supersedes the “SBP Counselor’s Guide” of 1 September 1995 (NAVPERS 15630A). This Guide is to be used to counsel and inform individuals of their SBP options prior to retirement.

This Guide was prepared using Title 10, United States Code, DOD Financial Management Manual and 1997 DOD Office of the Actuary figures.

SBP was established under Public Law 92-425, replacing the Retired Serviceman’s Family Protection Plan (RSFPP), effective 21 September 1972. The complete legislative history of SBP is located in Attachment 1.

Narrative information expanding on SBP comprises the first half of this Guide. The slides in the second half of this Guide should be used when making presentations regarding SBP; however the slides in this presentation can be taken out to fit the audience you are counseling.

Remember, when in doubt, contact the SBP Program Manager, Bureau of Naval Personnel, Retired Activities Branch (Pers-622), Washington, DC 20370-0622 or call 1-800-255-8950, DSN: 224-3197.

## **OVERVIEW (SLIDE 1)**

These are the areas that will be addressed:

- The purpose of SBP: Why does this program exist?
- How does it work?
- What are the options?
- How is SBP affected by other government benefits?
- The Reserve Component-SBP (RC-SBP)
- What should you think about as you make your SBP decision?
- And finally, a short summary of SBP's more important points.

## **PURPOSE (SLIDE 2)**

SBP was established by Congress to provide a monthly income to the survivors of military retirees. You **must** understand that your retired pay stops when you die. Let me repeat that:

### **RETIRED PAY STOPS WHEN YOU DIE.**

SBP provides a monthly income to survivors of military retirees after retired pay stops. It is the only program available to the military services to provide a continuing source of income to survivors of military retirees. SBP benefits -- like retired pay -- are adjusted with cost-of-living adjustments (COLAs) at the same time and at the same rate as retired pay. SBP premiums will always remain in the same proportion to your retired pay as they are on your date of retirement.

### HOW IT WORKS (SLIDE 3)

Chances are, you are already covered by SBP. If you are already eligible to retire, (i.e., if you already have over 20 years of active service) you are covered at the maximum level. This means that if you were to die on active duty, in addition to receiving Dependency and Indemnity Compensation (DIC) from the Department of Veterans Affairs (VA), your surviving spouse and child(ren) could be eligible to receive a partial monthly SBP annuity, depending on how much your retired pay would have been if you had retired, for the rest of his or her life, unless he or she remarries before age 55. This is a gratuitous benefit -- it doesn't cost you a thing. We'll talk about the integration of DIC and SBP later.

Before retiring, you must decide whether to continue your SBP participation. If you do not make a deliberate election **NOT** to participate -- you will be automatically enrolled for all eligible family members at the full base amount.

Spouse's Concurrence. If you elect anything other than maximum SBP coverage, or if you decline to participate, the law requires that your spouse provide his or her written concurrence with your election. By law, your spouse has a right to participate in a decision regarding your SBP election and entitlements to government benefits. If your spouse does not concur with your election, the law requires that you be enrolled in SBP at the maximum level.

If an error occurs in the processing of your SBP election, you may request an "administrative error correction" usually within **one year**. To submit a request you must write to the Bureau of Naval Personnel, Retired Activities Branch (PERS-622) Washington, DC 20370-6220, 1-800-255-8950. Your request must clearly state what error occurred and must include evidence, if applicable, to justify the correction. If your spouse must concur with your desired election, you must ask your spouse to sign an "SBP affidavit" in the presence of a notary public indicating their concurrence. The completed affidavit should be mailed along with your correction request. Blank affidavits may be obtained from Defense Finance and Accounting Service, Cleveland Center (DFAS-CL) Customer Service at 1-800-321-1080, and from BUPERS Retired Activities Branch or any Retired Activities Office (located at most Family Service Centers.)

## **HOW IT WORKS (SLIDE 4)**

How much your survivors will receive if you enroll in SBP depends on the “base amount” which you will choose. Your premiums are also determined by your base amount. You may select any base amount between \$300 and the full amount of your retired pay. If your retired pay is less than \$300, then your base amount must be your full retired pay. Your “base amount” will grow along with your retired pay at the same rate and at the same time as COLAs to your retired pay.

SBP premiums and your survivor’s annuity will be calculated as percentages of whatever base amount chosen. Premiums and annuities vary depending on the category of coverage you elected.

## HOW IT WORKS (CONT'D) (SLIDE 5)

Prior to the signing of the National Defense Authorization Act of Fiscal 1998 the SBP decision you make at retirement was irrevocable, although changes are permitted to accommodate common changes which could occur in your family. The Act has a provision which allows disenrollment from SBP between a participant's **second** and **third** year anniversary in the plan. Disenrollment requires a spouse's consent and is processed through the Defense Finance and Accounting Service, Cleveland (DFAS-CL). However, declination in SBP remains **irrevocable**.

For example, if you and your spouse decline spouse coverage, and you later become divorced and remarry, you would not be able to elect coverage for your new spouse. Similarly, if you decline spouse coverage, you would not be permitted to elect former spouse coverage for either your present spouse or a future spouse, even if ordered to do so by a state court as part of a divorce settlement. The same principle applies to child coverage. If you have an eligible child and you choose not to elect child coverage, you would not be able to cover any future child(ren) you might acquire, including natural children, stepchildren, or adopted children.

If a family member covered under SBP becomes ineligible to receive an SBP annuity due to death, divorce, or age, SBP premium reductions in retired pay are suspended. You only pay for SBP when you have an eligible beneficiary.

Remember, when you elect SBP, you are really electing coverage for a category of beneficiary. For example, if you elect spouse coverage, you're covering not only your present spouse, but also any future spouse you might marry later if your present marriage ends by death or divorce. SBP premium reductions in your retired pay would be suspended effective the day following the date of death or divorce. Upon remarriage, your new spouse would automatically become an eligible SBP beneficiary after your one-year anniversary. (You have the option, however, to terminate your participation upon remarriage, but you must do so within one year of remarrying.) See attachment 2 for procedures in making minor corrections to your beneficiaries.

Similarly, if you elect child coverage and then later acquire an additional child (or children) either through birth, adoption, or marriage, that child would also be an eligible beneficiary. There's an often overlooked "good deal" in this situation regarding cost. Even though premiums for child coverage are based upon the age of the youngest child when a member retires, a younger child acquired after retirement may be added to your coverage without increasing the premium. This could amount to a pretty substantial savings if you have a 17-year-old when you retire and then later acquire a much younger or newborn child.



## **HOW IT WORKS (CONT'D) (SLIDE 5)**

It is very important that DFAS-CL be notified in writing immediately of any changes that may occur with your family. Failure to inform DFAS-CL of a change which affects your SBP election could result in the accumulation of a debt to the Government in unpaid SBP premiums, or, worse yet, avoidable red-tape for your distraught widow when she applies for benefits after your death.

**DELETED SECOND PARAGRAPH**

## OPTIONS (SLIDE 6)

There are six SBP election categories. You may select only one of the categories listed on Slide 6. After retirement, your election may be changed under certain circumstances.

For example, if you have no dependent children when you retire and you elect “spouse only” coverage, you may change your election later to “spouse-and-child” coverage if you later acquire a child. Similarly, if you are unmarried when you retire and you elect “child(ren) only” coverage, you may change your election later to “spouse-and-child(ren)” coverage if you become married.

You can also change a “spouse only” election to a “former spouse only” election if you become divorced; if you remarry, you can change a “former spouse only” election back to a “spouse only” election under certain conditions.

Most civilian pension survivorship plans offer only one or two options. The military SBP is unique in that it offers a variety of coverage from which to choose.

## SPOUSE COVERAGE (ELIGIBILITY) (SLIDE 7)

This choice will provide a monthly annuity to your surviving spouse for life in the event of your death.

To be eligible to receive SBP benefits, a spouse must be married to the member on the date on which retired pay begins. There is no length-of-marriage requirement. If a member marries after retirement, the marriage must last for at least one year before the member's spouse becomes eligible to receive benefits; however you must notify DFAS-CL within **one year** of your marriage. See attachment 2 for procedures.

However, if a member had been participating in SBP with spouse coverage for a previous spouse and dies during the first year after remarrying, the new spouse automatically become eligible for benefits if a child was born or adopted during the marriage.

If a member is unmarried on his date of retirement and later marries, but dies before his one-year anniversary, his spouse immediately becomes eligible for benefits if a child had been born or adopted during the marriage and the member had submitted an SBP election prior to death.

It is important to understand that if you elect "spouse only" or "spouse-and-child(ren)" coverage, and your marriage ends by death or divorce and you remarry, **your new spouse automatically becomes your eligible beneficiary after one year of marriage**. If you decide not to provide SBP coverage to your subsequent spouse, you must notify DFAS-CL before your one-year anniversary. You have the opportunity at this time to increase a previously elected reduced amount. (Note: Refer to DOD Financial Manual for guidance). Getting your new spouse a military dependent's ID card and entering him or her into the DEERS system is not all that is required to properly report your remarriage. You **MUST** inform DFAS-CL within one year of your remarriage by providing a copy of your marriage certificate.

## **SPOUSE COVERAGE (PREMIUMS) (SLIDE 7A)**

SBP premiums are paid in the form of a reduction in retired pay. The amount of the reduction depends upon the base amount you choose.

Two formulas are used for computing premiums for spouse coverage and former spouse coverage:

### **FOR MEMBERS WHO ENTERED THE SERVICE BEFORE 1 MARCH 1990:**

Premiums are calculated either under the formula, 2.5 percent of the first \$434 (threshold) of the base amount, PLUS 10 percent of the remaining base amount; OR a simple 6.5 percent of the base amount, whichever method results in a lower monthly premium. If your base amount is less than \$934 (break point), the first method would automatically be used by DFAS-CL in calculating your premium because it would result in a lower premium than under the second method. The \$434 (threshold) + \$934 (breakpoint) is adjusted with COLAs annually.

### **FOR MEMBERS WHO ENTERED THE SERVICE ON OR AFTER 1 MARCH 1990:**

Premiums are calculated at 6.5 percent of the base amount.

Reservists and disability retirees may have their SBP premiums calculated under the two-part formula if it is to their advantage regardless of when they entered the service.

Monthly SBP premiums remain a constant percentage of a member's base amount for life because premiums increase by the same percentage and at the same time as cost-of-living adjustments (COLAs) to retired pay (and base amounts).

Since SBP premiums are paid via reductions in retired pay, participants do not pay taxes on them. This "pre-tax" treatment of SBP premiums is a significant benefit because it effectively reduces the actual out-of-pocket cost of SBP by whatever marginal tax bracket a member and his or her spouse are in. This is discussed in more detail later in Slide 16, Alternatives to SBP. Threshold amounts are listed in attachment 3.

## **SPOUSE COVERAGE (PREMIUMS) (CONT'D) (SLIDE 7B)**

This slide illustrates premiums calculated under both the two-part and the 6.5 percent method.

It is useful to note that premiums for base amounts of \$434 and below under the two-part formula are simply 2.5 percent of the base amount since there is no “remaining base amount” over \$434 to which the 10 percent calculation would apply. If you are considering participating in SBP at a greatly reduced level, it might be more prudent to elect a base amount of \$434 than \$300. The premium (\$10.85) is still only 2.5 percent of the base amount, but the benefit which would result, \$238.70 ( $\$434 \times 55$  percent), is significantly more than the \$165 benefit of a \$300 base amount ( $\$300 \times 55$  percent). The premium is only \$2.30 per month higher.

It is also important to note that even if your retired pay is \$2,000 or \$3,000 per month, you may select any base amount between \$300 and your full retired pay. Participation at some level is affordable, and advisable, for just about everybody.

## **SPOUSE COVERAGE (ANNUITIES) (SLIDE 7C)**

If you became eligible for retirement on or after 1 October 1985, the monthly annuity your surviving spouse would receive under SBP would be calculated at 55 percent of your base amount until age 62. After age 62, the annuity would be calculated at 35 percent of your base amount. This method of computing SBP annuities is referred to as the “two-tier” method.

**If your surviving spouse were to remarry before age 55, payment of monthly SBP annuities would be suspended. If the remarriage were to end either through death or divorce, payment of SBP benefits would resume. This is true even if your surviving spouse remarries and then becomes unmarried 30 or 40 years from now. The SBP benefit will be there during any period throughout your surviving spouse’s lifetime in which he or she is unmarried under age 55. (P.L. 99-661 refers.)**

## **SPOUSE COVERAGE (INTEGRATION WITH SOCIAL SECURITY) (SLIDES 7D, 7E AND 7E1)**

The purpose of the SBP is to ensure that surviving spouses receive an income from the Federal Government equal to at least 55 percent of a retiree's selected base amount. **Before age 62, this 55 percent benefit is provided solely by SBP; after 62, it is provided by a combination of SBP and Social Security (referred to under the Social Security system as the "Public Pension Offset").**

Generally, under the Social Security system, spouses become entitled to Social Security pensions which are roughly half of a primary wage-earner's Social Security benefits. **These benefits are reduced if a spouse elects to receive benefits before age 65.** If a primary wage-earner dies, his or her surviving spouse becomes entitled to Social Security widow(er)'s benefits which are equal to what the primary wage-earner was receiving, or would have received. This benefit is also reduced if it is taken before age 65.

Since the military services contribute to service members' Social Security accounts while they serve on active duty, the services are already contributing toward service members' surviving spouses' benefits. These contributions were taken into consideration when SBP premiums and benefits levels were established in 1972. Improvements to the SBP program over the years have continued to evolve around this integration with Social Security.

Before the method of calculating survivor benefits was changed (in 1985) to the two-tier method, SBP annuities were reduced at age 62 by amounts equal to that portion of Social Security widow(er) benefits which are attributable to members' active duty earnings after 1956. **(The military services began participating in Social Security on 1 January 1957.)** Reduction does not occur until age 62 even if a widow(er) chooses to receive Social Security benefits as early as age 60.

If you were eligible to retire before 1 October 1985, your surviving spouse's annuity may be calculated under this old method if it results in a higher annuity. **Under ordinary circumstances, survivors of all members who retire in 1992, who are below the grade of vice admiral, would receive higher benefits under the new two-tier method.** However, if your spouse is eligible to have his or her SBP annuity calculated under the old method, the annuity might be higher under that method if he or she received a Federal, state, or local government pension. It is also important that Social Security offsets to SBP annuities can never be more than the actual amount of the Social Security benefit received.

## SPOUSE COVERAGE (VALUE) (SLIDE 7F)

### HOW MUCH IS YOUR SBP WORTH?

Many retiring members mistakenly feel that the benefits provided by SBP are not worth a 6.5 percent reduction in their pay. Some retiring members feel that they can provide greater benefits for their survivors through life insurance or investments. While it is certainly possible to provide the same benefits as SBP with life insurance or investments, experts report they are equally certain that it cannot be done for the same cost. Insurance agents who say otherwise simply do not understand or are misrepresenting SBP.

How much is your SBP worth? If you were to die today, how much money (or life insurance proceeds) would your surviving spouse need to provide the same inflation-adjusted income stream as SBP?

The value of SBP benefits is directly dependent upon two factors: (1) the amount of a member's retired pay (or base amount) at the time of death, and (2) the age of the surviving spouse at the time of the member's death.

Slide 7F illustrates the "present value" of a widow's SBP benefits **PER \$1000 OF RETIRED PAY** if annuity benefit begins at the illustrated ages. The term "present value" refers to the amount of money (or life insurance proceeds) a surviving spouse would need at the time of a member's death to invest at a 7 percent (taxable) interest rate to produce an inflation-adjusted income stream equal to what she would receive from SBP. These figures assume COLAs of 5 percent (the approximate average for retired pay over the past 30 years) and are based upon normal life expectancies of females at the illustrated ages. Remember, our life expectancy increases with age. The life expectancy of a 42-year-old female is age 81, but the life expectancy of an 81 year old female is age 90. Life expectancies of officers and their spouses are higher than for enlisted personnel and their spouses (see attachment 4), but the differences are not great enough to significantly affect the figures illustrated in Slide 7F, which are based upon life expectancies of spouses of male enlisted personnel. Values for officers' surviving spouses would be slightly higher.

To find values for base amounts other than \$1000, simply multiply the value shown by whatever percentage your base amount is of \$1000. To find what percentage your base amount is of \$1000, divide your base amount by 1000. To find what percentage your base amount is \$11,208, divide 1,208 by 1,000 to get 1.208 (or simply move the decimal three places to the left). Multiply the value shown on Slide 7F for your spouse's age by 1.208. If your wife is 40 years old when you retire, for example, and your base amount is \$1,208, the value of her SBP benefits, if you die on the date you retired would be calculated by multiplying \$159,021 by 1.208 to get \$192,097. This is how much life insurance you would need when you retire to replace SBP. If you die 22 years from now, when your wife is 62, the value of her SBP benefits at that time



## **SPOUSE COVERAGE (VALUE) (CONT'D) (SLIDE 7F)**

would be calculated by multiplying \$210,295 by 1.208. The result, \$254,036, is how much money (or life insurance death benefit) she would need to invest at that time to produce the SBP income stream. If you die 35 years from now, the value of your widow's SBP benefits would be \$301,205 ( $\$249,342 \times 1.208$ ). In other words, if you wanted to buy a life insurance policy instead of participating in SBP, you would need a policy with an initial death benefit of \$192,097, increasing to \$301,205 by your spouse's age 75.

Let's look at another example. If you selected a base amount of \$825, and your wife is 42 when you retire, the value of her SBP benefits on your date of retirement would be calculated by multiplying \$152,045 by .825. The result is \$125,437. If you die 20 years from now, when your wife is 62, the value of her benefits would be \$157,363 ( $\$190,744 \times .825$ ). If you die when your wife is 75, the value would be \$186,582 ( $\$226,160 \times .825$ ).

While one might think that the dollar amount a widow needs would decrease as she got older (since there would be fewer years of benefits received), the opposite is actually the case because of inflation. You see, while the monthly SBP annuity in our first example would be only \$664 today, it would increase to approximately \$2,333 over the next 35 years. In our second example (of the 42-year-old), her monthly SBP annuity would increase from \$289 today to \$1,446 by age 75.

The decreasing values illustrated for older ages might also lead you to believe that SBP is not as much of a "good option" for members retiring at older ages. Again, the opposite is actually the case. Participation in SBP is more of a bargain for members retiring at older ages because, if they live to normal life expectancies, they will pay premiums for fewer years than members retiring at younger ages, and their surviving spouses are likely to live to older ages. The Government subsidy of the benefits paid to survivors of members who retire at older ages is generally much higher than for members who retire at younger ages.

## SUPPLEMENTAL SBP (SSBP) (SLIDE 8)

As discussed in Slide 7C, a surviving spouse's or former spouse's monthly SBP annuity is calculated at 55 percent of the participant's base amount until age 62, when it is reduced to 35 percent of the base amount.

Although the value of even this reduced level of benefits after age 62 is an excellent buy for the premium dollar, many retirees may want or need to provide higher amounts of income to their survivors after age 62. Members who elect maximum coverage under basic SBP may also enroll in SSBP to increase their survivors' post-age-62, 35 percent monthly annuities by 5, 10, 15, or 20 percent of their retired pay. This slide discusses the benefits which would be paid under SSBP.

SSBP benefits enjoy the same cost-of-living increases as basic SBP benefits. Unlike SBP, however, SSBP benefits are not subsidized by the Government. Without the Government subsidy, SSBP benefits are not nearly as good a value as basic SBP benefits. **However, SSBP can be extremely useful for members in poor health who may be unable to obtain life insurance elsewhere and for retirees whose spouses are several years younger than they are (and who will, therefore, probably receive benefits for a greater number of years than average).**

SSBP coverage is **NOT** automatic upon retirement. Participation in SSBP is totally voluntary and requires an affirmative election by a member. Spousal concurrence is NOT required if a member does not elect SSBP coverage.

A member who is participating in SBP, but not SSBP, who remarries after retirement may elect to provide SSBP coverage to his or her subsequent spouse provided that he or she is participating in SBP at the maximum level. SSBP coverage may be increased during the first year of remarriage. SSBP premiums would be calculated using the premium rate that applies to the member's age on the one-year anniversary of marriage.

SSBP coverage cannot be ordered by state courts in cases of divorce. However, if a military member agrees to provide SSBP coverage in addition to SBP coverage as part of a property settlement agreement which is incorporated into or ratified by a court order, regardless of whether divorce is before or after retirement, then the member is bound by the agreement and must elect SSBP coverage. A former spouse may have an SSBP election deemed on a member's behalf in the same manner that SBP elections may be deemed. (See Slide 10). In cases of divorce after retirement, a member who is participating in SBP and SSBP can be ordered to provide SBP coverage to his or her former spouse, but SSBP coverage cannot be ordered. In this instance, SSBP coverage would be dropped unless the member voluntarily elects it.

## **SUPPLEMENTAL SBP (SSBP) PREMIUMS (SLIDE 8A)**

When Congress enacted SSBP in November 1989, it required that the SSBP program operate on an “actuarially neutral” basis, which means that the program must operate at no cost to the Government, with premiums based upon participants’ ages at time of enrollment. SSBP premiums, therefore, are substantially higher (per benefit dollar) than premiums for basic SBP. This slide illustrates SSBP premium rates for various ages and shows how to compute them. A complete schedule of SSBP premium rates is in attachment 5.

SSBP premiums are paid in addition to basic SBP premiums. For the purposes of computing SSBP premiums, it is helpful to think of each 5-percent SSBP benefit level (5, 10, 15, 20 percent of retired pay) as an SSBP UNIT. To calculate the premium, get the SSBP premium rate for the appropriate age (on the member’s nearest birth date) from the table in attachment 5, multiply this rate by the number of SSBP UNITS desired, then multiply the result by member’s base amount. (Remember, only members who participate in SBP at the maximum level may elect SSBP coverage, so the base amount for SSBP premium computation will ALWAYS be the member’s full gross retired pay.)

SSBP benefits are not subsidized by the Government. However, not every retiree’s situation is identical. The benefits paid to some beneficiaries of SSBP participants will, indeed, have a subsidy -- but from other SSBP participants, not the Government. This is because some SSBP participants will die prematurely, and others will live to normal, or longer, life expectancies. In addition, some have spouses who are many years younger than they are (and will therefore collect benefits longer) and some have spouses who are older (and will therefore collect benefits for fewer years).

**Is your spouse likely to receive the same in benefits as you will pay in premiums? This is the critical question which prospective retirees must answer for themselves in deciding whether or not to participate in SSBP. Age differences, the relative health of both the member and the spouse, and family mortality histories are especially important to members’ decisions to participate in SSBP because of the lack of a Government subsidy.** These issues are important to decisions on whether or not to participate in basic SBP, but the Government subsidy of basic SBP benefits ensures that in all but the most extreme situations, SBP beneficiaries will receive in benefits amount much greater than premiums paid.

## SSBP PREMIUM COMPUTATIONS EXAMPLES (SLIDE 8B)

These examples show how to compute the premiums for two common situations.

The first example illustrates how to compute the premium for a non-disabled member who will be 40 years old on his birthday nearest to his date of retirement. This member would like his surviving spouse's SBP annuity after age 62 to be 45 percent of his retired pay rather than the 35 percent maximum he can provide with basic SBP. This 10 percent increase should be thought of as two 5-percent "SSBP units".

To compute this member's total SBP/SSBP premium, use the following steps:

1. From attachment 5, at the end of this guide, obtain the premium rate for a 40 year-old for each 5-percent SSBP unit (.0092 percent).
2. Multiply this premium rate by the number of SSBP units desired (2) to get the total SSBP premium rate (.0092 percent  $\times$  2 = .0184 percent).
3. Multiply the total SSBP premium rate (.0184 percent) by the member's base amount to get the total SSBP premium (.0184 percent  $\times$  \$1000 = \$18.40).
4. Since this member's basic SBP premium is lower under the 6.5 percent method, multiply the member's base amount by 6.5 percent to get his total SBP premium (\$1000  $\times$  6.5 percent = \$65.00).
5. Add the total SSBP premium to the total SBP premium to get the total SSBP/SBP premium (\$18.40 + \$65.00 = \$83.40).

The second example illustrates how to compute the premium for a 30 year-old who is transferring to the Temporary Disability Retired List (TDRL) with retired pay of \$500. Follow the same first three steps as described above to calculate the member's SSBP premium (.0086 percent  $\times$  4  $\times$  \$500 = \$17.20). To calculate this member's basic SBP premium, use the two-part formula (2.5 percent of the first \$434 of retired pay (referred to as the "threshold"), plus 10 percent of remaining retired pay).

6. Multiply the threshold amount (\$434) by 2.5 percent to get \$10.85, then multiply the amounts of remaining retired pay (\$500 - \$434 = \$66) by 10 percent to get \$6.60. Add these two amounts together to get the member's total SBP premium (\$10.85 + \$6.60 = \$17.45).
7. Add the total SSBP premium to the total SBP premium to get the total SSBP/SBP premium (\$17.20 + \$17.45 = \$34.65).

## **SUPPLEMENTAL SBP (VALUE)(SLIDE 8C)**

The value of Supplemental SBP can be determined in the same way as the value of basic SBP that was described in Slide 7F (i.e. the amount of cash, or life insurance proceeds, that would be needed for the surviving spouse to invest upon the member's death to produce the same income stream as SSBP).

Slide 8C illustrates the value of a survivor's SSBP benefits at the time a member retires, at the spouse's age 62, and at the spouse's age 75.

**It is important to recognize that SSBP benefits are not paid until a surviving spouse reaches age 62. A surviving spouse who remarries before age 55 might never receive SSBP benefits, unless the remarriage ends by the death of the survivor's subsequent spouse or by divorce.** SSBP has no immediate value to a surviving spouse who is 45 years old, when the member dies. After age 62, the increased income provided by SSBP could be significant (up to 20 percent of what the retiree's retired pay would have been at the time).

## **INTEGRATION WITH DEPENDENCY AND INDEMNITY COMPENSATION (DIC) (SLIDE 9 & 9A)**

DIC is a monthly benefit paid by the Department of Veterans Affairs (VA) to survivors of active and retired members whose deaths are determined by the VA to be service-connected. A surviving spouse's SBP entitlement is reduced dollar-for-dollar by the amount of his or her DIC entitlement.

Does this mean that it is possible for a retiree to enroll in SBP and pay premiums for many years, yet his widow would not receive benefits if she becomes entitled to DIC? Yes, in a way. You see, all SBP premiums that the member paid for the portion of SBP benefits that is replaced by DIC are refunded to the surviving spouse. (See note.)

The combined SBP and DIC payments are equal to the unreduced SBP payment. The net payment to the spouse, however, is actually greater because DIC is not taxable income.

It is **VERY IMPORTANT** that members who are retiring with disabilities which may eventually cause their deaths understand that **SUPPLEMENTAL SBP BENEFITS ARE NOT REDUCED BY DIC**. For example, if an E7 is retiring on a disability and his retired pay is \$1015, his surviving spouse's SBP annuity would be totally offset (eliminated) by DIC if he dies as a result of his disability. Her SBP annuity of \$558 (\$1015 x 55 percent) is less than the \*\*\$833 DIC payment she would receive, so she would not receive SBP benefits. Instead, she would receive the higher, tax-free DIC benefit, and she would receive a refund of any SBP premiums the member paid before his death. However, if this member also enrolled in SSBP at the maximum level, 20 percent, at age 62, she would begin receiving 20 percent of what her husband's retired pay would have been at that time (\$203 per month in 1992 dollars). For this reason, SSBP premiums are not refunded to a surviving spouse.

**A STRONG WORD OF CAUTION: DO NOT ASSUME your survivors will be covered by DIC. Only a small percentage of retirees die from service-connected causes. DIC is not a benefit you can count on. Even if DIC is paid, it will terminate, permanently, if your surviving spouse remarries at any age.**

### **NOTE:**

Spouses and former spouses who lose their entitlement to DIC through remarriage after age 55, can regain their full SBP annuity by repaying the SBP premiums which were refunded to them when the member died. This can be done in installments from future SBP annuity payments.

\*\* \$833 is the 1997 DIC rate. It increases by COLA yearly.

## FORMER SPOUSE COVERAGE (ELIGIBILITY) (SLIDE 10)

This election is very similar to spouse only coverage. The costs are identical, and annuities also continue for the beneficiary's life, or until remarriage if the marriage occurs before age 55. Like spouse coverage, a former spouse also becomes re-entitled to an SBP annuity if that marriage ends by death or divorce. Members pay SBP premiums for former spouse coverage only during periods in which the former spouse is eligible to receive the annuity. Costs and annuity amounts are identical to spouse coverage and will be discussed later.

Former spouse elections may be made under one of three circumstances: (1) voluntarily; (2) in compliance with a written agreement between the member and the former spouse which is not part of a court order; or (3) by order of a court of competent jurisdiction incident to a decree of divorce, dissolution, or annulment.

If a member elects former spouse coverage voluntarily, the member may change that election to provide coverage for a subsequent spouse within the first year of remarrying. The former spouse would be notified if the member did so.

If a member elects former spouse coverage in compliance with a written agreement which has not been incorporated into a court order, the member may change that election to provide coverage for a subsequent spouse within the first year of remarriage only if the member obtains the former spouse's written concurrence.

If a member elects former spouse coverage in compliance with a court order which requires the member to make the election, the member may not change that election to provide coverage for a subsequent spouse unless the member obtains a court order which releases him or her from the original court order.

If a member is required by a court order to provide SBP coverage to a former spouse and fails to make the election either upon retirement or, if already retired, within one year of the date of divorce, the member's former spouse may have the election "deemed" (ordered) on the member's behalf. To do so, a former spouse must submit a written request to DFAS-CL, requesting that the member's election be changed within one year of the date of the court order. **This is true even if the court order was issued more than a year before a member's retirement date, in which case the former spouse's request for a "deemed" election would be maintained on file at DFAS-CL until the member retired.** Failure by both parties to take action within the one-year period, or upon retirement if already divorced, precludes both parties from changing the election later. Members should know that they would be in contempt of court in this situation.

## **FORMER SPOUSE COVERAGE (PREMIUMS)(SLIDE 10A)**

Premiums for former spouse coverage are calculated identically to premiums for spouse coverage. There are many other complexities involved with former spouse coverage.

Divisions of retired pay are based upon “disposable” retired pay. Disposable retired pay is member’s retired pay left over after it has been reduced by the member’s SBP premium and any indebtedness to the Government. **(This changed as of March 1991, prior to which Federal and State income tax withholdings were excluded from the computation of disposable retired pay.)**

**It is important to understand that in cases in which a former spouse is awarded a percentage of a military retiree’s pay, and the retiree also elects SBP coverage for the former spouse (either voluntarily or involuntarily), the former spouse, in effect, pays a portion automatically because division of retired pay is based only upon disposable retired pay, which is already reduced because of the SBP premium.**

**An agreement between a member and a former spouse in which the former spouse must pay the entire cost of the member’s participation in SBP is a matter between the member and the former spouse. There are no provisions in Federal law which permit DFAS-CL to withhold SBP premiums from a former spouse’s portion of a member’s retired pay. If a former spouse is to bear the cost of SBP participation, the former spouse must reimburse the member by some other means.**



## **SLIDE 10A - FORMER SPOUSE COVERAGE (PREMIUMS) (CONT'D)**

**Unless a court order specifies that a member may elect a reduced base amount for former spouse coverage, a member must elect his or her own gross retired pay as the base amount.**

As in all situations in SBP, premium deductions in retired pay occur only during periods in which the member has an eligible beneficiary. If a former spouse loses eligibility to receive SBP benefits due to remarriage before the age of 55, premium reductions in retired pay are suspended. If the former spouse later becomes unmarried, premium reductions in retired pay would resume.

In cases of divorce after retirement, premium reductions in retired pay for former spouse coverage commence on the first day of the month following the month in which a member changes his election. For example, if an SBP participant (with spouse coverage) becomes divorced in January 1996, premium reductions in retired pay are suspended immediately upon his date of divorce. The member has one year from the date of divorce to change his election from spouse coverage to former spouse coverage. If the member waits until December 1996 to request the change, premium reductions in his retired pay would not resume until the first day of January 1997. If the member does not voluntarily change his election, and his former spouse has the election “deemed” on his behalf (as described in Slide 10), the member becomes liable for SBP premium payments retroactively to the date of the court order.

## **FORMER SPOUSE COVERAGE (ANNUITIES)(SLIDE 10B)**

SBP (and SSBP) annuities paid to surviving former spouses are identical to annuities paid to surviving spouses.

Since former spouses are not eligible to receive DIC from the VA, there is never an offset to their SBP annuities due to DIC.

Slide 10 describes the one-year period after divorce during which a SBP participant may change his election from spouse coverage to former spouse coverage. Since an SBP participant may desire to wait until the 11th month after divorce to request the change in order to save premiums, it is important to understand what happens if the member dies before submitting an election change request.

In cases in which a SBP participant dies within one year after becoming divorced, the eligibility of the former spouse to receive a SBP annuity is directly dependent on whether the member was required by court order to change his election to cover the former spouse. If the member was not required by court order to maintain his former spouse as his SBP beneficiary, no benefits would be paid to the former spouse if the member dies before changing his election. However, if the member is required by a court order to change his election to former spouse coverage, benefits would be paid to his former spouse as long as the former spouse has the election “deemed” within one year of the date of the court order as described in Slide 10.

## **CHILD COVERAGE (ELIGIBILITY)(SLIDE 11)**

Under this category, members may elect coverage for their children. If a member is married, the member's spouse must concur with this type of election.

Children are eligible to receive benefits until age 18. If they pursue a full-time course of study, they remain eligible to receive benefits until age 22.

**Children who are incapable of self-support due to either a mental or physical disability remain eligible to receive benefits for life. Their incapacitation must have originated either prior to age 18 or between the ages of 18 and 22 while a full-time student.**

Marriage by a child SBP beneficiary terminates the child's eligibility to receive benefits, including incapacitated children over the age of 18 or 22. Annulment of a marriage, but not divorce, reinstates a child's eligibility.

Eligible children include natural children, adopted children, stepchildren, foster children, and children born outside of marriage if paternity has been established.

Children acquired after retirement may be added to a member's SBP election, but they must be added within **one year** of being acquired (born, adopted, etc). If a member has children upon retirement but does not elect coverage for them, the member may not later elect coverage for children acquired after retirement.

Members electing coverage for an incapacitated child over age 18 must submit with their SBP elections documentation attesting to the child's eligibility. This must be documented on a statement by a licensed physician which clearly states that the child's incapacitation originated before the child's 18th birthday, or before the child's 22nd birthday while a full-time student. The statement should also state whether the incapacitation is permanent or temporary.

## **CHILD COVERAGE (PREMIUMS) (SLIDE 11A)**

Premiums for child coverage are determined actuarially based upon the age of the member and the age of the youngest child. Attachment 6 contains the premium rates for each member/child age combination.

Premiums are calculated by multiplying the cost factor for the appropriate age combination by the base amount.

As you can see from the abbreviated premium cost factors shown in this slide, the older the age of the youngest child, the lower the premium.

SBP coverage may be extended to a younger child acquired after retirement by requesting that the child be added to an existing child(ren)-only or spouse-and-child(ren) election. In this circumstance, the member's premium would not be re-calculated based upon the age of the youngest child; rather, the premium would remain the same as it was for the youngest child covered upon retirement, but the member would continue paying premiums until the youngest child becomes ineligible to receive benefits due to age.

Premium reductions in retired pay continue automatically until the youngest child reaches age 22. If a member's youngest child reaches age 18 and does not continue college, a member must inform DFAS-CL that the child is no longer eligible in order to have premium reductions in retired pay terminated.

## **CHILD COVERAGE (ANNUITIES)(SLIDE 11B)**

Annuities paid to child beneficiaries are always calculated at 55 percent of the member's base amount. There is no reduction in SBP benefits due to entitlement to Social Security benefits.

Only one SBP annuity is paid per retiree. Annuities are divided equally among all eligible children. For example, if an SBP participant who has three eligible children dies, the SBP annuity would be divided into thirds. When the oldest child "outgrows" his or her eligibility to receive benefits due to age, the annuity would be divided equally between the remaining two children. When the older of the two remaining children loses eligibility, the one remaining child would receive the full benefit until losing eligibility.

Annuities for minor children are paid to their guardians. Once a child reaches the age of majority (usually 18, but this varies among states), the SBP annuity is paid directly to the child. In most cases, a child's guardian would be the member's surviving spouse. If a member is unmarried, it is imperative that the member have a guardian designated in the member's will. Otherwise, significant delay in annuity payments may result until a guardian is appointed by a state court.

## **CHILD COVERAGE (VALUE)(SLIDE 11C)**

How much is child coverage worth?

Slide 11C illustrates how much cash, or life insurance proceeds, would be needed at the time of retirement to invest to provide an income stream equal to SBP. These figures assume a 7 percent interest rate and a 5 percent inflation rate.

The value of SBP for children obviously varies according to the age of the child (or according to the age of the youngest child if there are several children), since benefits usually terminate on either the child's 18th or 22nd birthdays. The value of SBP coverage for a 10-year-old, for example, is \$47,900 if benefits stop at age 18, \$69,200 if benefits continue on to age 22, \$147,600 if the child is incapable of self-support and receives benefits until age 40, and \$208,500 if benefits continue until age 60.

The premium calculation example on Slide 11A shows that the premium for child-only coverage for a 45-year-old retiree with a 10-year-old youngest child would cost \$5.40 per month.

Could a 45-year-old buy \$47,900 of term life insurance for \$5.40 per month? Not likely. He (or she) certainly could not buy \$147,600 or \$208,500 of life insurance (the amounts needed to provide benefits to age 40 or age 60 if the child becomes disabled) for \$5.40 per month.

Some insurance agents recommend that prospective retirees elect child-only coverage plus a permanent life insurance policy (whole life, universal life, etc.) of, say, \$100,000 as an alternative to the more expensive spouse coverage since the member's surviving spouse would receive the SBP annuity as the guardian of their child. Is this a good idea?

Let's take a look, using a 40-year-old prospective male retiree as an example. His wife is 38 years old, and they have a 10-year-old daughter. Per \$1,000 of retired pay, child-only coverage for his daughter has a present value of \$47,900, and coverage for his spouse has a value of \$166,086 (see Slide 7F). We immediately see that \$100,000 is not enough life insurance (\$47,900 (child coverage) + \$100,000 (spouse coverage) = only \$147,900). What's worse is the child-only SBP benefits either stop when their daughter reaches age 18, or they are being paid directly to the daughter. His surviving spouse is left with only the inadequate \$100,000 life insurance policy.

## **SPOUSE-AND-CHILD COVERAGE AND FORMER SPOUSE-AND-CHILD COVERAGE (ELIGIBILITY) (SLIDE 12)**

Eligibility of spouses and former spouses for this coverage is the same as for spouse-only or former spouse-only coverage. Eligibility of children is the same as for child-only coverage, with the exception that only children acquired (born, adopted, etc.) during the marriage to a former spouse may be included in a former spouse-and-child election. Children acquired after divorce cannot be included in a former spouse-and-child election.

A former spouse election after retirement cancels ANY previous election. A member with spouse-and-child coverage who becomes divorced after retirement and elects former spouse must ensure that he specifically requests that children from his marriage to the former spouse be included in his election. Coverage for children is not automatically implemented when a member changes an election from spouse coverage to former spouse coverage.

Under this type of election, only the surviving spouse or former spouse would be eligible to receive benefits. Children become eligible to receive benefits only if the surviving spouse or former spouse dies or becomes ineligible to receive benefits due to remarriage before age 55.

## **SPOUSE-AND-CHILD COVERAGE AND FORMER SPOUSE-AND-CHILD COVERAGE (PREMIUMS)(SLIDE 12A)**

Premiums for the spouse or former spouse portion of a member's election are calculated in exactly the same manner as premiums for spouse-only or former spouse-only coverage, plus a very small additional charge for the children. This additional charge is computed actuarially depending on your age, your spouse/former spouse's age, and your youngest child's age on your date of retirement. The exact amounts for the different age combinations must be obtained from a very lengthy table which is unavailable to command career counselors. The abbreviated table on Slide 12A provides cost factors for command age combinations. Generally, the older the ages of the beneficiaries, the less the monthly premiums will be. DFAS-CL will provide the exact charges when they calculate your retired pay before you retire.

As discussed in the previous slide, an election for former spouse coverage after retirement cancels ANY previous election. If children are included with a former spouse election, premiums for the child portion are recalculated as of the effective date of the former spouse election. Generally, this will result in a slightly reduced charge for the child portion of the premium since the child would be older than when the original election was made.

If a member who is participating with spouse-and-child coverage becomes divorced, the spouse portion of the election is suspended immediately as of the date of divorce. The child portion continues. However, since the election would be then a "child-only" election, premiums would be recalculated for child-only coverage as of the attained ages of both the member and the youngest child. Usually, this also results in a lower premium than if the member had originally elected child-only coverage. In cases of extreme age differences between the member and the youngest child, the member's premium could actually go up. For example, if an unmarried male retires at age 45, marries at age 55, elects spouse-only coverage, adds a newborn child to his election 4 years later and then gets divorced, his SBP premium (which had been just slightly more than 6.5 percent of his retired pay) would increase to 8.22 percent of retired pay. (See child-only premium cost factors in attachment 6.)



**SPOUSE-AND-CHILD COVERAGE AND FORMER SPOUSE-AND-CHILD  
COVERAGE (ANNUITIES)(SLIDE 12B)**

Annuities under this coverage are calculated identically as they would be under either spouse-only, former spouse only, or child(ren)-only coverage.

## **INSURABLE INTEREST COVERAGE (ELIGIBILITY)(SLIDE 13)**

This coverage is only available to members who are unmarried and have no more than one dependent on their retirement date.

Under this category of coverage, an unmarried retiree may name someone who has an “insurable interest” in the retiree as a beneficiary. An unmarried retiree who has only one dependent child, however, may name that child as an insurable interest beneficiary rather than as a beneficiary under “child only” coverage. (Advantage: Does not cease when child reaches 18 or 22 --- Disadvantage: more expensive)

An “insurable interest” beneficiary is a person who has a financial interest in the continued life of a retiree. This can be either a non-related person or a family member. An insurable interest is presumed for all family members related as closely as cousins (sons, daughters, parents, grandparents, grandchildren, brothers, sisters, aunts, uncles, cousins). Documentation that an insurable interest exists is required for all non-related persons and family members more distantly related than cousins. This documentation must be a notarized affidavit by a third party attesting to the insurable interest. Examples of non-related insurable interest parties include business partners, joint property owners, etc. A fiancée, by virtue of that relationship alone, is not considered to have a valid insurable interest in a retiree. The affidavit must be submitted along with the member’s SBP election certificate.

Insurable interest elections may be changed to a spouse/and/or child election if a retiree later marries or acquires a dependent child. Such a change may only be made within **one year** of marriage or acquisition of a child.

## **INSURABLE INTEREST COVERAGE (PREMIUMS AND ANNUITIES)(SLIDE 13A)**

### **PREMIUMS**

**Insurable interest elections must be based upon full gross retired pay. Reduced base amounts cannot be elected.**

**Premiums are calculated at 10 percent of retired pay, plus 5 percent of retired pay for each full five years the beneficiary is younger than the member. In no case can an insurable interest premium exceed 40 percent of a member's retired pay.**

### **ANNUITIES**

**Insurable interest annuities at 55 percent of the participant's "adjusted base amount," which is the portion of retired pay left after the SBP premium is subtracted. Annuities are not affected by entitlement to Social Security benefits.**

## **RESERVE COMPONENT - SURVIVOR BENEFIT PLAN (RC-SBP)(SLIDE 14)**

If you are a Reservist, you will be able to enroll in RC-SBP when you complete 20 years of creditable service. All of the options available under SBP are also available under RC-SBP. The differences between the two programs are in premium and annuity calculations and payments and election circumstances.

When Reservists complete 20 qualifying years of service, they receive a “Notice of Eligibility (NOE)”, an official notice which documents a Reservist’s eligibility to receive retired pay beginning at age 60. Reservists who do not enroll in RC-SBP at age 60, when retired pay commences are automatically enrolled in SBP under the same provisions of law that apply to regular retirees who transfer to the Retired List or the Fleet Reserve after 20 years of active duty unless the Reservists decline participation in writing via DFAS-CL. Prior to age 60, however, they may enroll in RC-SBP instead of waiting until age 60 to enroll in SBP.

RC-SBP elections must be made during the 90-day period immediately following the date a Reservist receives his or her NOE. Unlike SBP, in which enrollment is automatic unless the retiree elects otherwise, participation in RC-SBP requires an affirmative election to enroll in the program. RC-SBP information booklets and enrollment forms are provided to each reservist along with the NOE.

**In addition to participation options (categories of beneficiaries and base amount levels) which are identical to SBP, Reservists have three options which apply only to RC-SBP.**

**OPTION A** - Decline participation in RC-SBP. Defer making a survivor annuity election until age 60, when the Reservist would be eligible to participate in regular SBP. Spousal concurrence is not required if a Reservist chooses not to enroll in RC-SBP since enrollment is not automatic as it is with SBP.

**OPTION B** - Elect coverage to provide survivor a monthly annuity which would begin only on or after the date on which the deceased Reservist would have turned age 60. Spousal concurrence is required for any election that provides less than maximum benefits for surviving spouse. See attachment 7 for premium rates.

**OPTION C** - Elect coverage to provide survivor a monthly annuity which would begin immediately upon the Reservist’s death, regardless if death occurs before or after age 60. Spousal concurrence is required for any election that provides less than maximum benefits for the surviving spouse. See attachment 8 for premium rates.

## **RC-SBP (ELIGIBILITY AND PREMIUMS)(SLIDE 14A AND 14A1)**

### **ELIGIBILITY**

The same beneficiary eligibility criteria which apply to survivors under SBP, as previously described in this guide, apply to RC-SBP.

### **PREMIUMS**

Since Reservists do not begin receiving retired pay until age 60, but coverage under option C for their survivors is in effect before age 60, how do they pay their premiums?

Premium payments for RC-SBP coverage are spread out, actuarially, over the lives of both the Reservist and the Reservist's survivor. Reservists who live beyond age 60 pay RC-SBP premiums in addition to the premiums they pay for regular SBP coverage. (However, an RC-SBP participant who loses a spouse beneficiary due to death or divorce and is unmarried at age 60 does not pay RC-SBP premiums when he reaches age 60. If he remarries after age 60, he pays only regular SBP premiums.) Similarly, survivors, regardless of whether a Reservist dies before or after age 60, pay premiums for the coverage which was in effect before the Reservist reached age 60 in the form of reduced monthly annuities.

Actuarial cost factors for computing RC-SBP premiums vary depending on the age difference between a Reservist and his or her beneficiary, the category of beneficiary elected, and whether the Reservist elects an immediate or a deferred annuity. A listing of cost factors for spouse/former spouse-only and child(ren)-only coverage and insurable interest are provided in Attachments 9-14.

RC-SBP premiums are calculated by multiplying the appropriate cost factor by the Reservist's retired pay (or base amount).

Reservists elect their RC-SBP base amounts when they make their elections at the time they receive their NOEs. This usually occurs when a Reservist is in his or her early 40's. If a Reservist elects a specific base amount other than full retired pay, the elected base amount is converted to a percentage of retired pay which is carried forward to when the Reservist begins receiving retired pay at age 60. For example, a 45-year-old Reservist whose retired pay would be \$500 and elects a base amount of \$300 is, in effect, electing a base amount equal to 60 percent of what his retired pay will eventually be ( $\$300/\$500 = 60$  percent). At age 60, if his retired pay increases due to inflation and additional Reserve points earned after enrolling in RC-SBP to an amount of, say, \$1,100, his base amount would be \$660 (60 percent x \$1,100).

**Slide 14A illustrates how to calculate an RC-SBP premium. Reservists who need assistance calculating their retired pay or RC-SBP costs should contact the Naval Reserve Personnel Center, Code 416, New Orleans, Louisiana 70149-7800, or call toll-free 1-800-535-2699.**

## **RC-SBP (ANNUITIES)(SLIDE 14B)**

**RC-SBP annuities are calculated just like SBP annuities (55 percent of the elected base amount until age 62, and 35 percent thereafter (or reduced by the Social Security offset if the member is grandfathered)), with one exception.**

**To pay for the RC-SBP coverage which was in effect before Reservists reach age 60, survivors' annuities are calculated at 55 percent or 35 percent of the "adjusted base amount."**

RC-SBP adjusted base amounts are determined the same way as insurable interest adjusted base amounts under regular SBP (see Slide 13A), i.e., by subtracting the RC-SBP premium from the elected base amount. Slide 14B illustrates how to calculate the annuity of the Reservist we discussed in Slide 14A.

Survivors of Reservists who were eligible to retire before 1 October 1985 may have their annuities calculated after age 62 under the old Social Security offset method described in Slide 7E. Unlike survivors of Regular retirees who are grandfathered under this old method but receive higher benefits under the new two-tier method (described in Slide 7D), survivors of grandfathered Reservists usually receive higher benefits under the old Social Security offset method. This is because the amount of their military earnings is so low in comparison. Additionally, military earnings after 1 December 1981, may be excluded in offset calculations for years in which Reservists paid maximum FICA (Social Security) taxes on civilian earnings. To have such earnings exempted, a Reservist, or a Reservist's surviving spouse, must provide DFAS-CL either a copy of the Reservist's Federal income tax return for the year to be excluded or a statement of earnings from the Social Security Administration which indicates that maximum FICA taxes were paid for the year. This may be done at the end of each year or at the time the annuity is calculated.

### Value of RC-SBP Annuities

The value of RC-SBP annuities can be determined in the same manner as SBP annuities, discussed in Slide 7F (i.e., the "present value" of an RC-SBP annuity is determined by calculating the amount of cash a survivor would need to invest at a 7 percent interest rate to produce an inflation-adjusted income stream equal to RC-SBP benefits.

## TERMINATION PROVISIONS (SLIDE 15)

SBP elections, like all pension survivorship plans, are generally permanent and irrevocable. However, SBP has several unique features which make it flexible enough to accommodate most changes in one's family.

For example, you know that if your spouse dies or you become divorced, premium reductions in your retired pay are suspended. If you remarry, you may withdraw from both SBP and SSBP during the first year of marriage. (You cannot withdraw only from SSBP though.) SBP elections for child coverage are also suspended once a child becomes ineligible to receive benefits due to age.

SSBP coverage can also be terminated after retirement if a member voluntarily changes an SBP election to a former spouse election.

Additionally, a retiree may disenroll from SBP between their second and third year anniversary in the plan. DFAS-CL will supply the retiree an affidavit for spousal concurrence for that purpose. Disenrollees must be aware that this is an irrevocable decision, there is no turning back once the disenrollment application is processed. There is **no refund** of premiums paid in the plan.

**There are also two other circumstances under which a retiree may terminate an SBP election:**

(1) If you enter Civil Service after retiring from the Navy and later decide to waive your Navy retired pay so that you can apply your years of naval service to retirement under the Federal Employees' Retirement System (FERS), you may terminate your Navy SBP if you enroll in FERS SBP. If you combine service, but do not enroll in FERS SBP, your military SBP election would remain valid. Since you would no longer be receiving retired pay from the Navy, you would have to pay your SBP premiums by direct remittance to DFAS-CL. If you do not combine service, you may also enroll in FERS SBP, and your survivor(s) would receive both benefits.

(2) The second condition involves retirees rated totally disabled by the Department of Veterans Affairs (VA). Members rated totally disabled by the VA when they retire may withdraw from SBP after 5 continuous years of being so rated. Members who become rated totally disabled by the VA after they retire may withdraw from SBP after 10 continuous years of such rating. Withdrawal is permitted in these cases because the retirees' deaths will be presumed to be service-connected regardless of the actual cause of death. Their surviving spouses, therefore, would be entitled to receive DIC from the VA.

## **ALTERNATIVES TO SBP (SLIDE 16)**

Many retirees look around to see if they can find alternatives to SBP which might provide equal or greater benefits than SBP for less cost. They frequently end up in front of life insurance agents. Too often, agents tell them they have a program which can “beat” SBP. They don’t. Many agents are trained in the sale of life insurance as alternatives to pension survivorship plans under a sales concept known as “pension maximization.” The idea here is simply to sell a life insurance policy to a prospective retiree in lieu of the retiree accepting a reduced pension which would continue being paid to his or her surviving spouse after the retiree’s death. Life insurance is a viable alternative to many civilian pension survivorship plans in which annuities do not increase with COLAs, so they will maintain their purchasing power, and with SBP, you only pay premiums while you have an eligible beneficiary. So if your wife dies first, or if you become divorced, premium reductions in your retired pay are suspended.

SBP is a complicated program. It is made even more complicated because of all the changes it has undergone in its history, each of which has been an improvement. SBP is one military benefit that keeps getting better. Most life insurance agents do not understand SBP. A truly professional agent, who cares more for the financial well-being of his clients than his commissions, will usually recommend that his clients elect maximum SBP coverage.

Let’s take a look at the common alternatives perspective retirees usually consider.

### **ACTUAL COST OF SBP**

Before we begin, it is important to first understand how much SBP participation will really cost you. For each \$1,000 of retired pay (or base amount), your monthly SBP premium is \$65 (or \$780 annually). If you are in only the 15 percent marginal income tax bracket, your actual annual out-of-pocket cost after paying taxes at the end of the year is only \$663 ( $\$780 \times .85$ ). If you are in the 28 percent bracket, the cost is only \$562 ( $\$780 \times .72$ ); and if you are in the 31 percent bracket, it is only \$538 ( $\$780 \times .69$ ).

Marginal tax brackets refer to the percentages by which income is taxed. For example, in 1996, married taxpayers filing joint returns paid taxes of (approximately) 15 percent of taxable income was greater than \$82,150, they paid taxes of \$18,582 plus 31 percent of the amount of their income over \$82,150.



## **ALTERNATIVES TO SBP (CONT'D)(SLIDE 16)**

To be conservative in our discussion, let's assume you are in only the 15 percent marginal tax bracket (i.e., you and your spouse's combined taxable income is less than \$34,000). Your actual out-of-pocket cost for SBP (per \$1000 of retired pay), after taxes, is only \$663 per year ( $\$1,000 \times 6.5 \text{ percent} \times 85 \text{ percent} \times 12$ ).

Except in certain business situations, life insurance premiums are paid with after-tax dollars, so a fair comparison between SBP premiums and life insurance premiums must consider their after-tax cost.

Now, let's look at the alternatives.

### **TERM INSURANCE**

How much insurance can you buy for \$663 per year if you are 40 years old? Can you buy an amount equal to the present value of your survivor's SBP benefits? (\$166,086 per thousand if your wife is 38.) Probably -- if you buy term insurance. Term insurance, over a short period of time, is the most inexpensive kind of life insurance. It is pure protection and has no cash value. But how much will you pay for it next year and the year after, and every year after that for the rest of your life? A \$166,086 annually renewable term insurance policy can be purchased for as little as \$280 per year or less, initially (healthy, nonsmoker), but its premium would increase more than 1,500 percent by age 70! (Very few term insurance plans extend beyond age 70, and the ones that do are exorbitantly expensive.) And how much will \$166,086 be worth 20 years from now? Or 35 years from now? At 5 percent inflation, \$166,086 be worth 20 years from now? Or 35 years from now? At 5 percent inflation, \$166,086 will have the purchasing power of 20 years from now of only \$62,596 in today's dollars. In 35 years it would be worth only \$30,109! If you're considering term insurance as an alternative to SBP, keep these factors in mind.

Some insurance agents and investment brokers would suggest that you can buy term insurance more cheaply than SBP and invest the difference in a high-yielding stock or mutual fund and provide the same income to our survivor. After you've been retired for 6 or 7 years, there won't even be a difference to invest. Your term insurance premium would increase by that time to more than your SBP premium. You could purchase 10-year level term insurance to lock in a fixed premium for 10 years, but the premium to renew (if you qualify medically) would be double or triple what it had been during the first 10 years. But let's forget about term insurance costs for a time to continue exploring this theory.

## **ALTERNATIVES TO SBP (CONT'D)(SLIDE 16)**

### **INVESTMENTS**

Forgetting about the cost of the insurance (let's assume your life insurance is free!), let's see what happens if you were to invest your SBP premiums instead, keeping in mind that your SBP premium will increase each year along with inflation (but your SBP premium will always be no more than 6.5 percent of retired pay). Let's also assume that you will consistently invest your SBP premium and will never touch the fund as it grows.

To what amount would your investment grow over 20 years? Over 35 years? If you invested your SBP premiums at 7 percent interest, it would grow (after taxes) to only \$41,671 in 20 years, or to only \$159,348 in 35 years -- far, far short of the \$237,250 and \$270,729 needed, respectively, to equal the value of your widow's SBP benefits in those years. How about if you were able to earn 8, 9, 10 percent on your money? Here's what you would have (per \$1,000 of retired pay), considering a conservative 15 percent marginal income tax bracket:

<b><u>INTEREST RATE</u></b>	<b><u>20 YEARS</u></b>	<b><u>35 YEARS</u></b>
8 percent	\$45,491	\$186,063
9 percent	\$49,740	\$218,446
10 percent	\$54,471	\$257,794

What this illustrates is that even without paying life insurance premiums, and assuming you were to consistently achieve higher-than-average tax-deferred rates of return over 35 years if you were to invest your SBP premiums instead, you would not accumulate the amount of cash necessary to equal SBP. In the real world, we must pay our life insurance premiums, which would significantly reduce the amount available to invest.

Some insurance and investment salespeople will select a certain stock or mutual fund that has earned 12, 14, or even 16 percent over the last 10 years and suggest that you can easily achieve such a return each and every year for the next 35 years. One can easily find investments which have enjoyed lucrative historical returns -- but this is only possible in hindsight. There are simply too many unknowns in the global economy for anyone to predict with certainty how a given investment will perform.

### **PERMANENT INSURANCE**

No discussion of survivor benefits would be complete without including whole life and its young cousin, universal life. Insurance agents frequently encourage their clients to buy these types of policies because, over, the course of one's lifetime (assuming you do not die prematurely), they can be less expensive than term insurance. With whole life or universal life,

## ALTERNATIVES TO SBP (CONT'D)(SLIDE 16)

it is also possible to stop paying premiums after as few as 10 or 15 years. They have cash values which, in effect, return part of your premium to you, with interest.

There is a decades-old argument in the life insurance industry over which is better: buying higher-premium, permanent whole life insurance (including universal life insurance) or buying lower-premium term insurance and investing the difference. This discussion will not address that debate. We have already seen that term insurance is not a viable alternative to SBP-- it gets too expensive to maintain term insurance to life expectancy -- and if we were to invest our SBP premiums instead, our survivors would be left short. Neither of these alternatives alone can provide the same benefits as SBP, let alone trying to pay for both of them at the same time. But let's take a look at the permanent insurance alternative as well.

### WHOLE LIFE

There are two types of whole life insurance: participating and non-participating. The terms "participating" and "non-participating" refer to dividends. Non-participating whole life policies are issued by stock companies which are owned by stockholders. Their death benefits are level and are therefore subject to erosion in value by inflation the same way as term insurance (discussed earlier). Participating whole life policies are issued by mutual companies which are owned by their policy owners. Policy owners of whole life insurance "participate" in the profits of the company by receiving tax-free dividends. (Dividends from participating whole life policies are not treated as taxable income by the IRS until the total amount withdrawn by a policy owner exceeds the total premiums paid over the life of the policy.)

Dividends paid to owners of participating whole life policies may be used to purchase what are called "paid-up additions", which increase a policy's death benefit. (Paid up additions are like little single-premium whole life policies which are added to the basic policy.) Some life insurance agents cite this increase in death benefits as making participating whole life insurance a viable alternative to the inflation-protected SBP. It is true that this type of policy can provide death benefits which increase at generally the same rate as increases in present values of SBP benefits. However, premiums for this type of policy are more than four times as much as initial SBP premiums (\$2730 (for one representative policy) vs \$663 (for SBP)). SBP premiums do not increase with inflation to an amount comparable to whole life for nearly 30 years (and even then SBP premiums will still represent only 6.5 percent of retired pay).

The advantages of this type of policy (i.e. that death benefits can keep up with inflation, that dividends may be taken in cash or used to reduce premiums, and that cash values can be pledged for low-interest loans), although attractive, do not make participating whole life insurance a viable alternative to SBP.

## **ALTERNATIVES TO SBP (CONT'D)(SLIDE 16)**

The reason is that if a policy owner takes advantage of any of these features, the death benefit is eroded. For example, if dividends are taken in cash or used to pay premiums, the death benefit will remain level and will be eroded by inflation in exactly the same manner that term insurance and non-participating whole life death benefits are eroded. If a policy owner takes advantage of low-interest loans, the borrowed amount plus interest are subtracted from the death benefit if the insured dies while the loan is outstanding. In either situation, the survivor comes up short-changed. The very features of this type of policy which make it attractive are the same features which make it an unacceptable alternative to SBP.

### **UNIVERSAL LIFE**

Universal life (referred to in some states, by law, as “flexible premium adjustable life”) is very much like participating in whole life. It is helpful in understanding universal life to think of it as term insurance with a side fund because mortality costs, which are deducted from the side fund, increase each year as a policy owner ages. Universal life cash values do not earn dividends, but they do earn interest. If a certain option is elected, universal life death benefits can increase similarly to death benefits from whole life and thereby keep pace with inflation. Premiums can be paid at practically any amount at or above a certain minimum, or the entire premium can be paid out of the side fund (once there IS a side fund). In order for the death benefit to increase similarly to whole life (and SBP), the premium must be approximately the same as a whole life premium -- about four times as much as the initial SBP premium. As with participating whole life, if a policy owner takes advantage of any of the options which make this type of policy attractive, the death benefit is eroded and the beneficiary again comes up short.

### **VARIABLE LIFE**

Two other types of life insurance policies many retiring members consider as alternatives to SBP are variable whole life and variable universal life. These two types of policies differ from their “non-variable” types, for the most part, simply by the way in which their cash values are invested. With regular whole life and universal life policies, cash values are invested in diversified investment portfolios of insurance companies. With variable whole life and variable universal life, cash values are invested in specific investments selected by the policy owner. The policy owner, therefore, rather than the insurance company, accepts the investment risk. Otherwise, they are about the same.

## **ALTERNATIVES TO SBP (CONT'D)(SLIDE 16)**

### **Life Insurance Mortality Costs**

One reason many retirees cite for not participating in SBP is that it has no cash value. They feel that if their spouse dies first, their SBP premiums were wasted. They do not consider the value of the protection that is in force while premiums are being paid -- just like term life insurance, automobile insurance, health insurance, and homeowner's insurance. These feelings are understandable, but they are based on a misunderstanding of how life insurance works.

Generally, when a life insurance policy owner pays a premium, the premium is divided up by the insurance company to pay two types of costs which are common to all types of life insurance policies: overhead expenses (including commissions) and mortality costs. For permanent, cash value policies, a third portion is invested in the company's investment portfolio and is set aside as policy owners' cash values. Overhead expenses and commissions are self-explanatory; mortality costs, however, are not so easily understood.

Through the "law of large numbers", insurance companies know the great accuracy of how many of their policy owners will die each year. For example, they know that out of a thousand 40-year-old men, about three of them will die in a given year. To pay the death benefits for those that die, they charge all 40-year-olds in that year mortality costs in an amount equal to the death benefits they must pay. The following year, everyone pays slightly more than they paid the year before. These charges are referred to as "mortality costs." You do not get these costs back.

Any cash value that builds up in a permanent life insurance policy is simply the portion of one's premium that was set aside and invested by the insurance company. A policy owner who cashes in his life insurance policy if his beneficiary dies first does not get his premiums back; he gets only part of them back -- the part that was invested after commissions and expenses and mortality costs were deducted.

## DECISION CONSIDERATIONS (SLIDE 17)

Before you retire or transfer to the Fleet Reserve, you must decide whether you wish to participate in SBP. Naturally, any decision involving money deserves serious consideration. For a few people -- very few -- full SBP coverage may not be necessary or desired. What factors are important in your decision? Let's review some of the factors we've already discussed and take a look at a few other factors we haven't discussed.

Male or Female? Throughout this guide, SBP coverage is discussed mostly as it applies to male retirees. Many of the same reasons that make SBP participation a good decision for male retirees make it good for female retirees. There are two reasons for this: (1) 98 percent of all Navy retirees are males, and (2) females life expectancies are approximately 4-6 years longer than male life expectancies. This difference in life expectancies, combined with the fact that most females are approximately two years younger than their husbands, results in most females outliving their husbands by several years. According to the U.S. Census Bureau's 1990 Statistical Abstract of the United States, there are approximately 13 million surviving spouses in the United States. Of those, only 2 million are males.

Participation in SBP at the maximum level with spouse coverage for female retirees is generally not advisable because of these differences. However, if a female retiree's husband is several years younger than she is, SBP participation is just as valuable for her as it is for a typical male retiree. Even considering age and life expectancy differences, participation with spouse coverage at the minimum level is such a great value that even females should consider it.

You will recall that under the two-part formula for computing SBP premiums (Slide 7A), a base amount of \$446 (for 1998 retirees) would cost a retiree only 2.5 percent of that amount (\$11.15 per month). We saw that participation at reduced levels is a good value even for females whose husbands are older than they are. True, the benefits provided by minimum coverage are not enough for anyone to live on (\$245 till age 62, \$156 thereafter), but that is not sufficient reason to decline coverage altogether.

Female retirees with children might also prefer to participate in SBP with coverage only for their children. At a cost which is comparable to that of minimum spouse coverage, but with benefits throughout the child's eligibility equal to that of maximum spouse coverage, child-only coverage is an excellent value, especially if the child has a mental or physical disability and can expect to receive benefits for life.

## DECISION CONSIDERATIONS (CONT'D)(SLIDE 17)

Costs. We've already calculated how much your SBP coverage will cost. We also discussed the "pre-tax" treatment of SBP premiums. If you are in the 15 percent marginal income tax bracket, your actual out-of-pocket is only 85 percent of the raw SBP cost. If you are in the 28 percent bracket, it is only 72 percent of the raw SBP cost, and if you are in the 31 percent bracket, it is only 69 percent. This pre-tax treatment of SBP premiums must be considered in any fair analysis of SBP.

Benefits. We also talked about the amount of annuity your widow would receive in the event of your death: 55 percent of your SBP base amount until age 62 and 35 percent thereafter. What makes SBP so valuable compared to most civilian survivorship plan is that SBP benefits increase automatically with cost-of-living adjustment (COLAs) which are equal to COLAs of military retired pay. Since 1972, when the SBP program was enacted, military retired pay -- and SBP benefits -- have increased an average of 6.33 percent per year with COLAs. This means that a benefit that was \$100 in 1972 is \$320 in 1992 -- more than triple! A benefit that keeps pace with inflation the way SBP has cannot be purchased in the financial marketplace. No insurance company can assume the risk of inflation over someone's entire lifetime. Only the Federal Government can do that.

Life Insurance. We discussed life insurance alternatives to SBP in Slide 16. While you can provide the same benefits to your survivor with life insurance, it will cost you significantly more than SBP.

You may be interested to know that one of the strongest supporters of SBP is the Navy Mutual Aid Association. In fact, Navy Mutual Aid representatives frequently give SBP lectures at pre-retirement seminars and encourage prospective retirees to enroll. If you're not familiar with Navy Mutual Aid, you might be surprised to learn that it is a non-profit veterans' benefits organization that is authorized by law to provide its members with life insurance. (It is also the only life insurance provider authorized by the Secretary of the Navy to speak at command-sponsored assemblies of Navy members on financial planning.) Navy Mutual Aid does not have a life insurance plan that beats SBP, and they are the first to admit it. They say, "SBP is the best at what it is intended to do; any other alternative assumes greater cost and risk."

This is not to say that life insurance is unnecessary if you enroll in SBP. On the contrary, even though SBP is an unbeatable bargain, what standard of living would your widow experience if SBP was the extent of your estate? LIFE INSURANCE CANNOT REPLACE SBP! If one prefers life insurance to SBP because of its flexibility, it is important to understand that it is going to cost much more than SBP. The flexibility has a price -- and it is very high.

## **DECISION CONSIDERATIONS (CONT'D)(SLIDE 17)**

Needs. Knowledgeable consumers (including prospective military retirees) compare the costs and the differences in quality in the things they buy. Prospective retirees frequently try to do the same thing with SBP and life insurance. Projections of life insurance cash values 20 or 30 years into the future are awfully appealing compared to SBP, which resembles term life insurance. Such comparisons are extremely complicated because of inflation and the time value of money. For example, \$100,000 is a lot on money today. But do you know how much \$100,000 would be worth 20 years from now if we experience the same rates of inflation we experienced during the last 20 years? About \$32,000. Don't let yourself be misled by a sales person who is trying to sell you a life insurance policy or some kind of investment. Understand what you're buying and why you're buying it.

To make a properly informed decision regarding participation in SBP, or the purchase of life insurance for that matter, you should start by first examining your needs -- or, rather, the needs of your survivor.

Take the time to sit down with your spouse and figure out how much income she would need to live the lifestyle you both want her to be able to. Estimate both her near-term and her long-term income needs. Keep in mind that she will be eligible to receive Social Security benefits as early as age 60. Call the Social Security Administration toll-free at 1-800-772-1213 and get an estimate of both your and her Social Security benefits. Review your other assets and the life insurance you already have to see if these are sufficient to meet her income needs. If not, participation in SBP at whatever the appropriate level is to make up the shortfall is usually the best course of action. If participation in SBP at the maximum level still does not provide the income needed, then look to life insurance to supplement her income.

Health. Your and your spouse's health are very important considerations in your SBP decision. If you have a health problem when you retire, the odds are that it will get worse as you get older rather than better. Life insurance is extremely expensive for people in poor health, if available at all. SBP coverage is available regardless of your health. If you are in poor health and your spouse is in excellent health, there is a great possibility that your spouse will outlive you by a considerable number of years. Even if your spouse has a potentially life-shortening health problem, you may still want to enroll in SBP at the minimum level. This would not only provide a modest level of income to her if you get hit by a truck, it would also act as your foot-in-the-door to cover a future spouse.



## **DECISION CONSIDERATIONS (CONT'D)(SLIDE 17)**

Spouse's Employment. Is your spouse employed? If so, would she or he be able to support herself/himself without your retired pay check? Is your spouse's employment covered by a pension plan to cover living expenses? If your spouse is not employed, would he or she be able to earn an income sufficient to live a comfortable lifestyle if you were to die? Would your spouse have income other than Social Security after age 60? Would your surviving spouse have an adequate income if he or she were to become totally disabled? If the answer to any of these questions is NO, your spouse is at considerable financial risk if you were to die. SBP can be the foundation of an estate which will provide for those needs.

Family Mortality History. Unfortunately, or fortunately in many cases, people tend to live about as long, or a little longer, as their parents and grandparents. Do you come from a long line of forbears who lived much longer than "normal" life expectancies, or did your parents and grandparents die at relatively young ages? What about your spouse's family history? While the importance of these factors on your SBP participation decision is low, they should be considered. Keep in mind, though that you could get hit by a truck on the way home from your retirement ceremony! An excerpt from the FY90 DOD Statistical Report on the Military Retirement System, which lists non-disability retiree life expectancies, is provided for information in Attachment 4.

Each retiring member's situation is different. Each factor discussed in this section cannot, by itself, determine whether a member should enroll in SBP. However, if the net effect of all of these factors is properly considered, SBP participation at some level, with some category of coverage, is advisable for practically everybody.

## SUMMARY (SLIDE 18)

The SBP decision is one of the most difficult decisions you will make at retirement. If you are married, it is as much your spouse's decision as it is yours.

Remember, **RETIRED PAY STOPS WHEN YOU DIE**, and **SBP** is the only way your survivors can receive a portion of your retired pay once you are gone.

There are no commercial life insurance alternatives to SBP which provide equal or greater protection for your survivors at equal or less cost.

You've worked for your retired pay, and you and your family sacrificed a lot during your career. Your retired pay is a valuable asset, and SBP can make it even more valuable. Why lessen its value?

Throughout your career, and during your remaining working years, you have paid, and will continue to pay, more than 7 percent of any income you earn in FICA taxes to receive Social Security benefits. Retired pay is not considered earned income, so FICA taxes are not deducted from retired pay, SBP premiums are, at most, 6.5 percent of your retired pay. You probably won't miss it.

SBP is one way the military services take care of their own, but it is a partnership -- make sure you do your part to take care of your own.

# **SURVIVOR BENEFIT PLAN (SBP)**



**PRESENTATION SLIDES**

# OVERVIEW

- PURPOSE
- HOW SBP WORKS
- OPTIONS
- INTEGRATION WITH SOCIAL SECURITY AND DEPENDENCY AND INDEMNITY COMPENSATION (DIC)
- DECISION CONSIDERATIONS
- SUMMARY

# PURPOSE

- RETIRED PAY STOPS UPON THE DEATH OF A RETIREE
- SBP PROVIDES MONTHLY INCOME TO SURVIVORS OF MILITARY RETIREES
- SBP IS THE ONLY WAY THE MILITARY SERVICES CAN PROVIDE INCOME TO SURVIVORS

# HOW IT WORKS

- FREE COVERAGE FOR RETIREMENT-ELIGIBLE MEMBERS STILL ON ACTIVE DUTY
- DECISION TO PARTICIPATE IN SBP MUST BE MADE PRIOR TO RETIREMENT DATE
  - AUTOMATIC COVERAGE AT MAXIMUM LEVEL INSTITUTED IF NO OTHER OPTION IS ELECTED
- SPOUSE IS EQUALLY RESPONSIBLE FOR SBP DECISION
  - SPOUSE CONCURRENCE IS NECESSARY IF MEMBER ELECTS LESS THAN MAXIMUM AMOUNT OF COVERAGE OR CHILDREN ONLY COVERAGE
  - NO WAIVERS OR POWER OF ATTORNEY ACCEPTED IN LIEU OF SPOUSE'S CONCURRENCE
- CORRECTIONS OF ADMINISTRATIVE ERRORS TO SBP ELECTIONS MAY BE REQUESTED, IN WRITING, USUALLY WITHIN ONE YEAR, AFTER RETIREMENT, FROM BUPERS (PERS-622) & DFAS-CL, CODE RO .

## **HOW IT WORKS (CONT'D)**

- MEMBER SELECTS “BASE AMOUNT” AND CATEGORY OF BENEFICIARY.
  - BASE AMOUNT CAN BE ANY AMOUNT BETWEEN \$300 AND FULL GROSS RETIRED PAY.
- ANNUITIES AND PREMIUMS VARY DEPENDING ON THE TYPE AND AMOUNT OF COVERAGE ELECTED. (DISCUSSED IN MORE DETAIL IN LATER SLIDES.)
- PREMIUMS ARE PAID IN THE FORM OF A REDUCTION IN RETIRED PAY.
- THE FEDERAL GOVERNMENT SUBSIDIZES THE BENEFITS OF THE SBP PROGRAM.

## HOW IT WORKS (CONT'D)

- **DECISION NOT TO PARTICIPATE IS IRREVOCABLE, HOWEVER;**
  - CHANGES TO ELECTIONS ARE PERMITTED UNDER CERTAIN CIRCUMSTANCES TO ACCOMMODATE COMMON CHANGES.
  - PREMIUM REDUCTIONS IN RETIRED PAY ARE SUSPENDED DURING PERIODS IN WHICH THERE IS NO ELIGIBLE BENEFICIARY.
- WITHDRAWAL IS PERMITTED UNDER CERTAIN CATEGORIES OF BENEFICIARIES (DISCUSSED LATER).



# **OPTIONS**

- SPOUSE ONLY
- FORMER SPOUSE ONLY
- SPOUSE AND CHILDREN
- FORMER SPOUSE AND CHILDREN
- CHILDREN ONLY
- INSURABLE INTEREST

# **SPOUSE COVERAGE**

## **ELIGIBILITY:**

- **MUST BE MARRIED AT THE TIME OF RETIREMENT.**
- **IF MARRIED AFTER RETIREMENT, SPOUSE IS ELIGIBLE TO RECEIVE ANNUITY AFTER ONE YEAR OF MARRIAGE.**
  - **OR UPON DEATH OF MEMBER DURING FIRST YEAR IF A CHILD WAS BORN DURING MARRIAGE.**
- **IF MEMBER WITH SPOUSE COVERAGE LOSES SPOUSE THROUGH DEATH OR DIVORCE AND REMARRIES, SUBSEQUENT SPOUSE IS AUTOMATICALLY ELIGIBLE AFTER ONE YEAR OF MARRIAGE, UNLESS MEMBER DECLINES TO RESUME OR DECLINE COVERAGE. DECISION TO RESUME COVERAGE MUST BE MADE WITHIN THE FIRST YEAR OF MARRIAGE.**

# SPOUSE COVERAGE

## PREMIUMS:

- TWO METHODS TO CALCULATE:
  - FOR MEMBERS ENTERING THE SERVICE ON OR AFTER 1 MAR 1990, PREMIUMS ARE 6.5% OF “BASE AMOUNT”
  - FOR MEMBERS WHO ENTERED SERVICE BEFORE 1 MAR 1990, PREMIUMS ARE COMPUTED UNDER TWO-PART FORMULA IF MORE BENEFICIAL
    - TWO-PART FORMULA: 2.5% OF FIRST \$434 OF BASE AMOUNT, PLUS 10% OF REMAINING BASE AMOUNT
      - LOW COST PORTION (\$434) EFFECTIVE 1 JAN 1997 INCREASES WITH COLAs TO RETIRED PAY
      - **NOTE:** OLD FORMULA IS MORE BENEFICIAL AND WILL BE USED FOR RETIREES WHOSE BASE AMOUNTS ARE LESS THAN \$934.

# SPOUSE COVERAGE

## PREMIUMS (CONT'D):

- EXAMPLES

BASE		BASE	
<u>AMOUNT</u>	<u>PREMIUM</u>	<u>AMOUNT</u>	<u>PREMIUM</u>
\$300	\$ 7.50 *	\$931	\$ 60.51 **
350	8.75 *	881	57.20 **
434	10.85 *	1000	65.00 **
500	17.45 *	2000	130.00 **

\* PREMIUM CALCULATED UNDER TWO-PART  
FORMULA

\*\* PREMIUM CALCULATED AT 6.5% OF BASE  
AMOUNT

# **SPOUSE COVERAGE**

## **ANNUITIES:**

- **ANNUITIES ARE PAID MONTHLY**
  - **CALCULATED AT 55% OF BASE AMOUNT UNTIL ANNUITANT'S AGE 62.**
  - **CALCULATED AT 35% OF BASE AMOUNT AFTER ANNUITANT'S 62ND BIRTHDAY.**
- **ANNUITIES ARE SUSPENDED IF ANNUITANT REMARRIES BEFORE AGE 55.**
  - **ANNUITY IS RESTORED IF REMARRIAGE LATER ENDS DUE TO DEATH OF NEW SPOUSE OR DIVORCE.**

# **SPOUSE COVERAGE**

## **INTEGRATION WITH SOCIAL SECURITY (SS):**

- **SBP SPOUSE BENEFICIARIES ARE GUARANTEED AN INCOME FROM THE FEDERAL GOVERNMENT EQUAL TO AT LEAST 55% OF MEMBER'S RETIRED PAY (OR REDUCED BASE AMOUNT).**
  - **BEFORE AGE 62, THIS 55% BENEFIT IS PROVIDED SOLELY BY SBP.**
  - **AFTER AGE 62, IT IS PROVIDED BY A COMBINATION OF SBP AND SOCIAL SECURITY.**
    - **SBP ANNUITY IS REDUCED TO 35% OF BASE AMOUNT AT AGE 62.**
    - **SURVIVING SPOUSE BECOME ENTITLED TO SOCIAL SECURITY WIDOW'S BENEFITS AT AGE 62 BASED ON MEMBER'S LIFETIME EARNINGS.**
    - **35% SBP BENEFIT PLUS SS WIDOW'S BENEFIT WILL EQUAL OR EXCEED 55% OF RETIRED PAY (OR BASE AMOUNT).**

# **SPOUSE COVERAGE**

## **INTEGRATION WITH SOCIAL SECURITY (SS) (CONT'D):**

- **SURVIVORS OF MEMBERS WHO WERE RETIREMENT-ELIGIBLE BEFORE 1 OCT 1985 MAY HAVE AGE 62 REDUCTION COMPUTED UNDER OLD SOCIAL SECURITY OFFSET METHOD IF MORE BENEFICIAL.**
  - **UNDER THIS METHOD, 55% ANNUITY IS REDUCED BY AMOUNT EQUAL TO PORTION OF SS WIDOW'S BENEFIT WHICH IS ATTRIBUTABLE TO MEMBER'S MILITARY EARNINGS AFTER 1956.**
  - **SURVIVORS OF OTHER MEMBERS MIGHT BENEFIT BY THIS METHOD IF THEIR SS BENEFIT IS REDUCED DUE TO RECEIPT OF PENSIONS FROM EMPLOYMENT NOT COVERED BY SOCIAL SECURITY.**

# **SPOUSE COVERAGE**

## **INTEGRATION WITH SOCIAL SECURITY (SS) (CONT'D):**

- **REASON FOR REDUCTION**
  - **FEDERAL GOVERNMENT CONTRIBUTES TO MEMBERS' SOCIAL SECURITY ACCOUNTS WHILE ON ACTIVE DUTY. SS BENEFITS PASS TO SURVIVING SPOUSE.**
  - **SBP BENEFIT AND PREMIUM LEVELS WERE DESIGNED BASED UPON THIS REDUCTION. PREMIUMS WOULD BE MUCH HIGHER OTHERWISE.**



# SPOUSE COVERAGE

## VALUE:

- THE FOLLOWING ILLUSTRATES HOW MUCH LIFE INSURANCE WOULD BE NEEDED TO PROVIDE SURVIVING SPOUSE AN INCOME STREAM EQUAL TO SBP (PER \$1000 OF RETIRED PAY).

SPOUSE AGE AT <u>RETIREMENT</u>	VALUE UPON <u>RETIREMENT</u>	VALUE AT <u>AGE 62</u>	VALUE AT <u>AGE 75</u>
23	\$211,368	\$481,999	\$571,496
28	197,673	377,659	447,782
36	172,889	255,615	303,077
38	166,086	231,850	274,899
40	159,021	210,295	249,342
42	152,045	190,744	226,160
44	145,132	173,010	205,134
46	137,916	156,925	186,063
48	130,401	142,336	168,764
52	114,599	117,100	138,843
58	89,417	87,382	103,607

# SPOUSE COVERAGE

## SUPPLEMENTAL SBP:

- ADDITIONAL COVERAGE WHICH PROVIDES HIGHER BENEFITS AFTER AGE 62
  - INCREASES SURVIVING SPOUSE'S OR FORMER SPOUSE'S POST-AGE 62 BENEFITS BY ONE OF FOUR BENEFIT LEVELS: 5%, 10%, 15%, OR 20% OF RETIRED PAY.
  - SSBP BENEFITS PAID REGARDLESS OF ENTITLEMENT TO SOCIAL SECURITY OR DIC BENEFITS.
  - MEMBER MUST PARTICIPATE IN BASIC SBP AT MAXIMUM LEVEL TO BE ELIGIBLE TO PARTICIPATE IN SUPPLEMENTAL SBP.
- SUPPLEMENTAL SBP IS ESPECIALLY USEFUL FOR TWO CATEGORIES OF RETIREES.
  - MEDICALLY UNINSURABLE MEMBERS
  - MALES WHOSE SPOUSES ARE MANY YEARS YOUNGER.
- VOLUNTARY. CANNOT BE ORDERED BY A COURT UPON DIVORCE. ELECTION MAY BE DEEMED IF MEMBER'S AGREEMENT TO PROVIDE COVERAGE IS INCORPORATED INTO A COURT ORDER.

# SUPPLEMENTAL SBP (SSBP)

## PREMIUMS:

- SSBP PREMIUMS BASED UPON MEMBER'S AGE ON BIRTH DATE NEAREST TO EFFECTIVE DATE OF ELECTION.
- TREAT EACH 5% SSBP BENEFIT LEVEL AS AN "SSBP UNIT"

5% = 1 UNIT

15% = 3 UNITS

10% = 2 UNITS

20% = 4 UNITS

- CALCULATE PREMIUM BY MULTIPLYING NUMBER OF SSBP UNITS ELECTED BY SSBP PREMIUM RATE (FROM ATTACHMENT 3) TO GET TOTAL SSBP PREMIUM RATE, THEN MULTIPLY TOTAL SSBP PREMIUM RATE BY MEMBER'S GROSS RETIRED PAY.
- IF MEMBER LOSES SBP/SSBP SPOUSE BENEFICIARY AND REMARRIES, SSBP PREMIUM RESUMES AT SAME RATE AS AT ORIGINAL ENROLLMENT.
  - MEMBER PARTICIPATING IN SSBP WITH LESS THAN 4 UNITS MAY INCREASE COVERAGE UPON REMARRIAGE. NO RETROACTIVE PREMIUMS DUE. PREMIUM RATE FOR ATTAINED AGE USED.

## SSBP PREMIUM COMPUTATION EXAMPLES

### 40 YR OLD, \$1000 RETIRED PAY

SSBP UNITS ELECTED: 2 (10% BENEFIT LVL)

SSBP UNIT PREMIUM RATE: .0092

TOTAL SSBP PREM. RATE: .0184 (2 X .0092)

BASIC SBP PREMIUM: \$65.00 (\$1000 X 6.5%)

SSBP PREMIUM: \$18.40 (\$1000 X .0184)

TOTAL SBP/SSBP PREM. \$83.40

### DISABLED 30 YR OLD, \$500 RETIRED PAY

SSBP UNITS ELECTED: 4 (20% BENEFIT LVL)

SSBP UNIT PREM. RATE .0086

TOTAL SSBP PREM. RATE: .0344 (4 X .0086)

BASIC SBP PREMIUM: \$10.85 (\$434 X 2.5%)

(TWO-PART FORMULA) \$ 6.60 (\$500 - \$434)

SBP PREMIUM \$17.45

SSBP PREMIUM: +17.20 (\$500 X .0344)

TOTAL SBP/SSBP PREMIUM: \$34.65

# SPOUSE COVERAGE

VALUE OF SUPPLEMENTAL SBP:

- FOLLOWING ILLUSTRATES HOW MUCH LIFE INSURANCE WOULD BE NEEDED TO PROVIDE SURVIVING SPOUSE AN INCOME STREAM EQUAL TO SSBP (PER EACH 5% SSBP UNIT \$1000 OF RETIRED PAY).

SPOUSE'S AGE UPON <u>RETMENT</u>	VALUE UPON <u>RETMNT</u>	VALUE <u>AGE 62</u>	VALUE <u>AGE 75</u>
23	\$20,851	68,863	81,661
28	19,768	53,956	63,984
36	17,807	36,520	43,307
38	17,269	33,124	39,281
40	16,710	30,345	35,629
42	16,168	27,252	32,316
44	15,641	24,718	29,312
46	15,091	22,420	26,587
48	14,518	20,336	24,115
50	13,927	18,445	21,873
52	13,322	16,730	19,839
54	12,708	15,175	17,995
56	12,089	13,764	16,322
58	11,475	12,484	14,804
60	10,872	11,324	13,428

\*ASSUMES INSURANCE PROCEEDS INVESTED AT 7% TO PRODUCE 5%-INFLATION-ADJUSTED INCOME STREAM.

SLIDE 8C

# **SPOUSE COVERAGE**

- INTEGRATION WITH DEPENDENCY & INDEMNITY COMPENSATION (DIC):
- DIC IS PAID BY VA TO SURVIVORS OF VETERANS WHO DIE OF SERVICE-CONNECTED CAUSES OR WHO DIE ON ACTIVE DUTY (EXCEPT FOR WHEN DEATH IS DUE TO MISCONDUCT).
- DIC REDUCES SBP ANNUITIES DOLLAR FOR DOLLAR.
  - SBP PREMIUMS FOR THE PORTION OF THE SBP BENEFIT WHICH IS REPLACED BY DIC ARE REFUNDED TO SURVIVOR.
- DIC TERMINATES UPON REMARRIAGE OF SURVIVOR REGARDLESS OF AGE. CANNOT BE RESTORED.
- SURVIVOR MAY REGAIN FULL SBP IF DIC IS TERMINATED DUE TO REMARRIAGE. MUST REPAY REFUNDED SBP PREMIUMS.
- SSBP BENEFITS ARE NOT REDUCED BY DIC.

# **SPOUSE COVERAGE**

- INTEGRATION WITH DIC (CONT'D):
- EFFECTIVE 1 JAN 97 BASIC RATE IS \$833.
- ADDITIONAL \$177 IF VETERAN RATED SERVICE CONNECTED TOTALLY DISABLED FOR EIGHT YEARS AND THE SURVIVING SPOUSE MARRIED TO THE VETERAN FOR THE SAME PERIOD.
- ALLOWANCE FOR EACH CHILD IS \$177.

# **FORMER SPOUSE COVERAGE**

## **ELIGIBILITY:**

- **MUST BE FORMER SPOUSE ON DATE OF RETIREMENT.**
- **AFTER RETIREMENT, MUST HAVE BEEN ELIGIBLE “SPOUSE” BENEFICIARY.**
- **AFTER RETIREMENT, “SPOUSE” ELECTION MUST BE CHANGED TO “FORMER SPOUSE” ELECTION WITHIN ONE YEAR OF DIVORCE.**
- **FORMER SPOUSE CAN HAVE ELECTION “DEEMED” ON MEMBER’S BEHALF IF SBP INCLUDED IN COURT ORDER -- MUST REQUEST WITHIN ONE YEAR OF DATE OF COURT ORDER.**
- **REMARRIAGE BEFORE AGE 55 SUSPENDS FORMER SPOUSE’S ELIGIBILITY. ELIGIBILITY IS RESTORED IF MARRIAGE ENDS BY DEATH OR DIVORCE.**



# **FORMER SPOUSE COVERAGE**

## **PREMIUMS:**

- SAME AS FOR SPOUSE COVERAGE. SEE 7A AND 7B.
- IF MEMBER CHANGES ELECTION AFTER RETIREMENT FROM SPOUSE TO FORMER SPOUSE COVERAGE, PREMIUM REDUCTIONS IN RETIRED PAY RESUME ON FIRST DAY OF MONTH AFTER MONTH IN WHICH MEMBER MAKES THE CHANGE.
- IF SPOUSE HAS ELECTION “DEEMED” ON MEMBER’S BEHALF, PREMIUMS BECOME DUE RETROACTIVELY TO DATE OF COURT ORDER.
- PREMIUM REDUCTIONS IN RETIRED PAY ARE SUSPENDED IF FORMER SPOUSE REMARRIES BEFORE AGE 55. PREMIUMS RESUME IF MARRIAGE ENDS.

# **FORMER SPOUSE COVERAGE**

## **ANNUITIES:**

- **SAME AS FOR SPOUSE COVERAGE:  
(SEE SLIDES 7C THRU 7E)**
  - **55% OF BASE AMOUNT UNTIL AGE 62,  
AND**
  - **35% OF BASE AMOUNT THEREAFTER.**
- **REDUCTION AT AGE 62 WILL NOT BE  
APPLIED TO FORMER SPOUSE'S ANNUITY  
IF MEMBER WAS ELIGIBLE TO RETIRE  
BEFORE 1 OCT 85 AND ELECTION WAS  
MADE BEFORE 29 NOV 89 (DUE TO AN  
OMISSION IN THE LAW, WHICH WAS  
CORRECTED BUT NOT RETROACTIVELY).**
- **FORMER SPOUSE IS NOT ELIGIBLE FOR DIC  
FROM VA.**

# **CHILD COVERAGE**

## **ELIGIBILITY:**

- **MUST BE UNDER AGE 18 AND UNMARRIED**  
**OR**
- **IF OVER 18, MUST BE UNMARRIED AND A FULL TIME STUDENT. ANNUITY WOULD CONTINUE UNTIL AGE 22.**  
**OR**
- **OVER AGE 18 AND INCAPACITATED. INCAPACITATION MUST HAVE OCCURRED PRIOR TO AGE 18 OR PRIOR TO AGE 22 WHILE A FULL-TIME STUDENT.**
- **MARRIAGE TERMINATES ELIGIBILITY.**
- **AN INCAPACITATED CHILD WHO LOSES ELIGIBILITY DUE TO MARRIAGE MAY BECOME RE-ENTITLED ONLY IF THE MARRIAGE IS LATER ANNULLED. DIVORCE WOULD NOT RESTORE ELIGIBILITY.**
- **CHILD ACQUIRED (BORN, ADOPTED, FOSTER) AFTER RETIREMENT BECOMES ELIGIBLE IMMEDIATELY UPON BEING ADDED TO MEMBER'S ELECTION (MUST BE ADDED WITHIN ONE YEAR AFTER ACQUIRED).**

# CHILD COVERAGE

## PREMIUMS:

- PREMIUMS FOR CHILD COVERAGE ARE DETERMINED BY MULTIPLYING THE BASE AMOUNT BY AN ACTUARIAL FACTOR BASED ON THE AGES OF THE MEMBER AND THE YOUNGEST CHILD ELIGIBLE TO RECEIVE BENEFITS.

## EXAMPLE:

### AGE OF YOUNGEST CHILD (COST FACTORS)

## MEMBERS

AGE	5	10	15	20
40	.0063	.0035	.0017	.0006
45	.0093	.0052	.0024	.0007
50	.0155	.0089	.0043	.0014
55	.0287	.0166	.0080	.0026
60	.0404	.0233	.0111	.0036

MEMBER AGE 45, YOUNGEST CHILD AGE 10  
\$1000 (BASE AMOUNT) x .0054 = \$5.40 (CHILD COST)

# **CHILD COVERAGE**

## **ANNUITIES:**

- **ANNUITIES ARE CALCULATED AT 55% OF BASE AMOUNT FOR AS LONG AS CHILD REMAINS ELIGIBLE.**
- **ONLY ONE 55% ANNUITY IS PAYABLE PER RETIREE**
  - **DIVIDED EQUALLY AMONG ALL ELIGIBLE CHILDREN**
- **PAYABLE TO CHILD'S GUARDIAN UNTIL CHILD REACHES AGE OF MAJORITY (AGE 18 IN MOST STATES), THEN DIRECTLY TO CHILD THEREAFTER.**

# CHILD COVERAGE

VALUE:

- FOLLOWING ILLUSTRATES HOW MUCH LIFE INSURANCE WOULD BE NEEDED TO PROVIDE EQUAL BENEFITS TO CHILD(REN) PER \$1000 OF RETIRED PAY.

AGE OF YOUNGEST CHILD AT RETIREMENT	<u>AGE AT WHICH BENEFITS STOP</u>			
	<u>18</u>	<u>22</u>	<u>40</u>	<u>60</u>
1	\$93,700	\$111,700	\$177,900	\$229,300
10	47,900	69,200	147,600	208,500
15	18,800	42,300	128,400	195,400
@18	0	24,900	116,000	186,900
# 22	0	0	98,500	174,800

# APPLICABLE ONLY IF CHILD IS FULL-TIME STUDENT

@ APPLICABLE ONLY IF CHILD BECOMES INCAPABLE OF SELF-SUPPORT BEFORE AGE 18 (OR 22 WHILE A FULL STUDENT)

## **SPOUSE-AND-CHILD COVERAGE; FORMER SPOUSE-AND-CHILD COVERAGE**

### **ELIGIBILITY:**

- ELIGIBILITY CRITERIA FOR SPOUSES AND FORMER SPOUSES ARE THE SAME AS FOR SPOUSE ONLY AND FORMER SPOUSE ONLY COVERAGE. SEE SLIDES 7 AND 10.
- ELIGIBILITY CRITERIA FOR CHILDREN ARE THE SAME AS FOR CHILD ONLY COVERAGE (SEE SLIDE 9), WITH ONE EXCEPTION:
  - WHEN COMBINED WITH FORMER SPOUSE COVERAGE, ONLY CHILDREN ACQUIRED (BORN, ADOPTED, FOSTER) DURING THE MARRIAGE TO THE FORMER SPOUSE MAY BE COVERED.
  - CHILDREN ACQUIRED AFTER DIVORCE CANNOT BE ADDED TO A FORMER SPOUSE-AND-CHILD ELECTION.
- CHILDREN PREVIOUSLY COVERED UNDER SPOUSE AND CHILD COVERAGE ARE NOT AUTOMATICALLY INCLUDED IF ELECTION IS CHANGED AFTER DIVORCE TO FORMER SPOUSE COVERAGE. MEMBER MUST SPECIFICALLY REQUEST THEIR INCLUSION.

## **SPOUSE-AND-CHILD COVERAGE FORMER SPOUSE-AND-CHILD COVERAGE**

### **PREMIUMS:**

**CALCULATED BY ADDING TO THE PREMIUMS OF SPOUSE/FORMER SPOUSE COVERAGE (SEE SLIDES 7A AND 8A) A SMALL CHARGE BASED ON THE AGES OF THE MEMBER, SPOUSE, AND YOUNGEST CHILD.**

### **EXAMPLE:**

#### **AGE OF YOUNGEST CHILD**

#### **MBR'S & SPOUSE'S**

<u>AGE</u>	<u>5</u>	<u>10</u>	<u>15</u>	<u>20</u>
45	.00089	.00048	.00018	.00003
50	.00105	.00045	.00016	.00003
55	.00211	.00075	.00020	.00002
60	.00440	.00151	.00037	.00004

#### **MEMBER AND SPOUSE BOTH AT AGE 45:**

BASE AMOUNT	=	\$1000
SPOUSE COST	=	\$65.00 (1000 x 6.5%)
CHILD COST	=	+ .45 (1000 x .00045)
TOTAL PREMIUM	=	\$65.45



## **SPOUSE-AND-CHILD COVERAGE FORMER SPOUSE-AND-CHILD COVERAGE**

### **ANNUITIES:**

- **ANNUITIES FOR SPOUSES AND FORMER SPOUSES ARE CALCULATED IDENTICALLY AS IF UNDER SPOUSE ONLY OR FORMER SPOUSE ONLY COVERAGE.**
- **ANNUITIES FOR CHILDREN ARE CALCULATED IDENTICALLY AS THEY WOULD BE UNDER CHILD ONLY COVERAGE, WITH ONE MAJOR EXCEPTION:**
  - **CHILDREN RECEIVE BENEFITS ONLY IF THE SURVIVING SPOUSE OR FORMER SPOUSE DIES OR LOSES ELIGIBILITY DUE TO REMARRIAGE BEFORE AGE 55.**

## **INSURABLE INTEREST COVERAGE**

### **ELIGIBILITY:**

- TO ELECT COVERAGE, MEMBER MUST BE UNMARRIED AND HAVE NO DEPENDENT CHILDREN ON DATE OF RETIREMENT, EXCEPT MEMBERS WITH ONLY ONE CHILD MAY NAME THAT CHILD AS AN INSURABLE INTEREST BENEFICIARY.
- INSURABLE INTEREST IS PRESUMED FOR RELATIVES MORE CLOSELY RELATED THAN COUSIN.
  - SON, DAUGHTER, MOTHER, FATHER, SISTER, BROTHER, AUNT, UNCLE, GRANDPARENTS, GRANDCHILDREN.
- IF UNRELATED OR RELATED MORE DISTANTLY THAN COUSINS.
  - AFFIDAVIT FROM THIRD PARTY WHICH ATTESTS TO THE FINANCIAL INTEREST MUST BE SUBMITTED WITH SBP ELECTION CERTIFICATE.
- MAY BE CHANGED TO COVERAGE FOR A SPOUSE OR CHILD ACQUIRED AFTER RETIREMENT.
  - CHANGE MUST BE MADE WITHIN ONE YEAR OF ACQUIRING THE SPOUSE OR CHILD.

## INSURABLE INTEREST COVERAGE

### PREMIUMS:

- ONLY BASE AMOUNTS OF FULL GROSS RETIRED PAY ARE PERMITTED.
- PREMIUMS CALCULATED AT 10% OF BASE AMOUNT PLUS 5% FOR EACH FULL 5 YEARS BENEFICIARY IS YOUNGER THAN MEMBER. MAXIMUM PREMIUM IS 40% OF BASE AMOUNT.

### ANNUITIES:

- 55% OF “ADJUSTED BASE AMOUNT” (REMAINDER OF BASE AMOUNT AFTER PREMIUM IS SUBTRACTED).
- NO REDUCTION AT AGE 62.

### EXAMPLE:

$$\begin{array}{r} \$1,000 \text{ BASE AMOUNT} \\ \underline{-100 \text{ PREMIUM (10\%)}} \\ \$ 900 \text{ ADJUSTED BASE AMOUNT} \\ \underline{\phantom{00} .55} \\ \$ 495 \text{ ANNUITY} \end{array}$$

# ASSUMES MEMBER AND BENEFICIARY ARE SAME AGES

# **RESERVE COMPONENT SBP (RC-SBP)**

- MUST HAVE 20 QUALIFYING YEARS OF SERVICE
- MUST MAKE ELECTION WITHIN 90 DAYS OF RECEIVING NOTICE OF ELIGIBILITY (NOE) FOR RETIRED PAY BEGINNING AT AGE 60.
- THREE OPTIONS:

A - DECLINE RC-SBP. DEFER ENROLLMENT ACTION UNTIL ELIGIBLE FOR SBP AT AGE 60.

B - ELECT ANNUITY TO BEGIN UPON DEATH OR MEMBER'S AGE 60, WHICHEVER OCCURS LATER.

C - ELECT ANNUITY TO BEGIN UPON MEMBER'S DEATH, REGARDLESS OF AGE.

## **RC-SBP (CONT'D)**

- PREMIUMS NOT PAID UNTIL RETIRED PAY COMMENCES AT AGE 60. COSTS ARE SAME AS FOR SBP, PLUS AN ADDITIONAL ACTUARIAL CHARGE TO PAY FOR COVERAGE DURING PERIOD PRIOR TO AGE 60.
- NAVAL RESERVE PERSONNEL CENTER (NRPC) PROVIDES EACH RESERVIST AN RC-SBP INSTRUCTION BOOKLET WITH ACTUARIAL COST TABLES ALONG WITH NOTICES OF ELIGIBILITY (NOE) FOR RETIRED PAY.

## RC-SBP (CONT'D)

### BENEFICIARY ELIGIBILITY:

- THE SAME BENEFICIARY ELIGIBILITY CRITERIA THAT APPLY TO SBP ALSO APPLY TO RC-SBP.

### PREMIUMS:

- PREMIUMS FOR COVERAGE THAT IS IN EFFECT BEFORE A RESERVIST BEGINS RECEIVING RETIRED PAY AT AGE 60 ARE PAID AFTER AGE 60 IN ADDITION TO SBP PREMIUMS.

EXAMPLE: (43-YR-OLD SERVICE MEMBER)

BASE AMOUNT:	\$500
RC-SBP COST FACTOR	<u>.0250</u> *
RC-SBP PREMIUM:	\$12.50**

SBP PREMIUM (6.5% BASE AMOUNT)

TOTAL SBP/RC-SBP PREMIUM:

SUPPLEMENTAL SBP (SSBP) PREMIUMS FOR RC-SBP ARE CALCULATED IN EXACTLY THE SAME MANNER AS FOR SBP.

\* OBTAIN FROM THE TABLE AVAILABLE FROM NAVAL RESERVE PERSONNEL CENTER (NRPC).

\*\* FOR COVERAGE IN EFFECT BEFORE AGE 60.

\*\*\* CALCULATED UNDER TWO-PART FORMULA DISCUSSED IN SLIDE 7A.

## **RC-SBP (CONT'D)**

### **ANNUITIES:**

- SURVIVOR'S ANNUITY IS 55% OF "ADJUSTED BASE AMOUNT" UNTIL AGE 62 AND 35% OF "ADJUSTED BASE AMOUNT" AFTER AGE 62.

EXAMPLE: (40-YR-OLD SURVIVOR OF  
RESERVIST FROM EXAMPLE IN SLIDE 14A)

BASE AMOUNT:	\$500.00
RC-SBP PREMIUM:	<u>- 12.50</u>
ADJUSTED AMOUNT:	\$487.50

PRE-AGE-62 ANNUITY:     $\$487.50 \times 55\% = \$268.12^*$

POST-AGE-62 ANNUITY:     $\$487.50 \times 35\% = \$170.62$

\* CHILDREN'S ANNUITIES ARE CALCULATED IN  
EXACTLY THE SAME MANNER AS PRE-AGE 62  
SPOUSE ANNUITIES.

\* (INSURABLE INTEREST ANNUITIES ARE  
CALCULATED BY SUBTRACTING BOTH THE  
RC-SBP COST FACTOR AND THE RC-SBP PREMIUM  
FROM THE GROSS BASE AMOUNT TO GET THE  
ADJUSTED BASE AMOUNT.)

# TERMINATION PROVISIONS

THE DECISION NOT TO PARTICIPATE IN SBP IS IRREVOCABLE.  
PARTICIPATION IN SBP AND SSBP IS PERMANENT AND IRREVOCABLE,  
EXCEPT:

- IF A RETIREE WISHES TO DISENROLL BETWEEN HIS OR HER SECOND AND THIRD YEAR OF PARTICIPATION WITH SPOUSAL CONCURRENCE.
- IF THE FORMER SPOUSE OF A MEMBER WHO HAD BEEN PARTICIPATING IN SBP REMARRIES, THE MEMBER MAY TERMINATE PARTICIPATION DURING FIRST YEAR OF REMARRIAGE IF IN AGREEMENT WITH COURT ORDER.
- IF A MILITARY RETIREE ENTERS CIVIL SERVICE AND LATER WAIVES MILITARY RETIRED PAY TO CREDIT YEARS OF SERVICE TO CIVIL SERVICE RETIREMENT, MEMBER'S SBP ELECTION TERMINATES IF MEMBER ENROLLS IN CIVIL SERVICE SBP.
- IF A RETIREE IS RATED TOTALLY DISABLED BY THE VA FOR 5 CONTINUOUS YEARS SINCE RETIREMENT, OR 10 CONTINUOUS YEARS BEGINNING AFTER RETIREMENT, HE OR SHE MAY TERMINATE SBP PARTICIPATION, WITH SPOUSAL CONCURRENCE.
- IF A MEMBER WHO IS PARTICIPATING IN SSBP BECOMES DIVORCED AND CHANGES ELECTION TO FORMER SPOUSE COVERAGE, MEMBER MAY TERMINATE SSBP PORTION OF COVERAGE.



# **ALTERNATIVES TO SBP**

- INVESTMENTS
  - WON'T GROW LARGE ENOUGH TO PROVIDE SAME BENEFITS AS SBP. SPOUSE AT RISK WHILE ACCUMULATING.
- TERM LIFE INSURANCE
  - DOES NOT INCREASE WITH INFLATION.
  - BECOMES TOO EXPENSIVE AT OLDER AGES.
- PERMANENT INSURANCE (WHOLE LIFE, UNIVERSAL LIFE, VARIABLE LIFE)
  - COSTS 6-8 TIMES AS MUCH AS SBP.
  - DON'T BE FOOLED BY CASH VALUES
- SBP PREMIUMS PAY ONLY MORTALITY COSTS, NOT COMMISSIONS AND OVERHEAD EXPENSES.
- WHEN COMPARING SBP TO ALTERNATIVE, FOLLOWING FEATURES OF SBP MUST BE CONSIDERED:
  - BENEFITS ARE INFLATION PROTECTED (HISTORICALLY HAD COLAs)
  - PREMIUMS PAID WITH PRE-TAX DOLLARS
  - GUARANTEED
  - NO HEALTH CRITERIA

# DECISION CONSIDERATIONS

- NEEDS
  - DETERMINE YOUR SURVIVOR'S INCOME NEEDS
- HEALTH
  - CONSIDER THE HEALTH OF BOTH YOURSELF & YOUR SPOUSE. IF EITHER IS IN POOR HEALTH MAKE SBP ELECTION ACCORDINGLY
  - CONSIDER THE EFFECT THAT POOR HEALTH WOULD HAVE ON PURCHASE OF COMMERCIAL LIFE INSURANCE.
- SPOUSE'S EMPLOYMENT
  - CONSIDER SPOUSE'S ABILITY TO EARN ADEQUATE INCOME, BOTH IF HEALTHY AND IF DISABLED.
- FAMILY MORTALITY HISTORY
  - SHORT OR LONG LIFE SPANS TEND TO BE HEREDITARY. IF EITHER YOU OR YOUR SPOUSE'S PARENTS AND GRANDPARENTS DIED AT EARLY AGES, CONSIDER IN YOUR SBP DECISION.
- EACH RETIRING MEMBER'S SITUATION IS DIFFERENT.
  - PARTICIPATION AT SOME LEVEL IS GOOD VALUE FOR JUST ABOUT EVERYBODY.

# SUMMARY

- SBP DECISION IS CRITICAL
  - MEMBER AND SPOUSE ARE EQUALLY RESPONSIBLE FOR SBP DECISION
  - DECISION IS FINAL
- SBP IS THE ONLY WAY YOU CAN PROVIDE A PORTION OF YOUR RETIRED PAY TO YOUR SURVIVORS
- NO COMMERCIAL INSURANCE ALTERNATIVE PROVIDES EQUAL OR GREATER BENEFIT AT EQUAL OR LESS COST
- MAKE THE DECISION THAT IS RIGHT FOR YOU AND YOUR FAMILY

## LEGISLATIVE HISTORY OF SBP

Prior to 1953 there was no program available to the military services to provide financial benefits to survivors of retired military personnel. The only benefits to which survivors could become entitled were provided under the Dependency and Indemnity Compensation (DIC) program administered by the Veterans Administration (VA). These benefits were provided only to survivors of retirees who died as a result of service-connected injuries or illnesses. Survivors of military retirees who died of nonservice-connected causes received no compensation from the military services when their spouses passed away.

To rectify this situation, Congress enacted a series of laws over the years. The following is a summary of those laws.

### **P.L. 83-239 (8 August 1953)**

Established the Uniformed Services Contingency Option Act (ASCII).

- Elections made before 18th year of service.
- Annuities one-half, one-fourth, or one-eighth of retired pay; not adjusted for inflation. Annuities terminated upon remarriage of widow at any age.
- Covered only persons dependent on member at retirement.
- Premiums based upon age differences and continued for life, even if dependents died first.

### **P.L. 87-381 (4 October 1961)**

Changed name of program to Retired Serviceman's Family Protection Plan (RSFPP).

- Less than 15 percent of retirees participated.

### **P.L. 92-425 (21 September 1972)**

Established the Survivor Benefit Plan (SBP)

- Participation automatic for all retirees who retire on or after 21 September 1972 unless they decline participation prior to receipt of retired pay.
  - Annuities integrated with Social Security widow's benefits to provide survivor with up to 55 percent of retired pay. Under age 62, benefits provided by SBP; after age 62, benefits provided by combination of SBP and Social Security widow's benefits. (Accomplished by reducing SBP benefits after age 62 dollar-for-dollar by the amount of SS widow benefits resulting from member's military earnings after 31 December 1956.)
- (The military services began participating in Social Security 1 January 1957. Possible that annuities could be totally offset (eliminated) by entitlement to SS widow benefits.)
- Annuities increased with cost-of-living adjustments (COLAs) at same time and at same rate as retired pay.
  - Annuities reduced dollar-for-dollar by amount of entitlement to DIC benefits from VA.
  - Eligible beneficiaries included spouses and children, or persons having an insurable interest in retiree.

## **LEGISLATIVE HISTORY OF SBP (CONT'D)**

### **P.L. 92-425 (Cont'd)**

- Premiums calculated under the formula: 2.5 percent of first \$300 of base amount, plus 10 percent of remaining base amount. Base amount could be any amount between \$300 and full gross retired pay. Premium recalculated each year under this formula, thereby increasing the premium as a percentage of elected base amount (which also increased with COLAs).
- Premium reductions in retired pay continued for life even if retiree's spouse died first.
- Members who retired before 21 September 1972 permitted to enroll in SBP during an open-enrollment season between 21 September 1972 and 20 September 1973. RSFPP participants permitted to enroll in SBP in addition to RSFPP or to transfer from RSFPP to SBP.
- Surviving spouses of retirement-eligible service members who died on active duty automatically covered. Remarriage of surviving spouse before age 60 suspended benefits.
- Spouses acquired after retirement automatically covered under SBP after two years of marriage. No option to member to withdraw from program for new spouse.
- Minimum Income Widow benefits to surviving spouses of members who retired before 21 September 1972 and died before 21 September 1973 if widows also entitled to receive nonservice-connected death pensions from VA.
- Services required to notify spouses if members retiring after 21 September 1972 declined to participate or elected less than maximum coverage.

### **P.L. 93-155 (16 November 1973)**

Open enrollment season extended to 20 March 1974.

### **P.L. 93-406 (2 September 1974)**

SBP premium reductions in retired pay exempted from federal income taxes.

### **P.L. 94-496 (14 October 1976) (effective 1 October 1976)**

- SBP premium reductions in retired pay suspended if marriage ends in death or divorce.
- Waiting period for spouse acquired after retirement to become eligible to receive SBP benefits reduced to one year.
- Participation for children only permitted for married retirees.

### **P.L. 95-397 (30 September 1978)**

- Eliminated SS offset (reduction in benefits at age 62) for widows while working beyond age 62.
- Restored SBP for widows who remarried after age 60 and lose DIC.
- COLA adjustments to RSFPP annuities paid to survivors of retirees who died before 20 March 1974.

## **LEGISLATIVE HISTORY OF SBP (CONT'D)**

### **P.L. 95-397 (Cont'd)**

- Continuation of RSFPP annuities to widows who remarry after age 60.
- Established Reserve Component - Survivor Benefit Plan (RC-SBP) to provide benefits to survivors of Reservists who are eligible to receive retired pay but are under age 60.
  - RC-SBP elections must be made within 90 days of receipt of Notices of Eligibility (NOE) to receive retired pay at age 60.
  - Open enrollment season for Reservists who completed 20 years of Reserve service before 30 September 1978 during period 1 October 1978 - 30 September 1979 (later extended to 31 March 1980).
  - Three participation options for Reservists in addition to regular beneficiary and participation levels which apply to SBP:
    - OPTION A - Make no election.
    - OPTION B - Elect coverage for annuities to begin upon Reservist's death or upon date Reservist would have become age 60, whichever is later.
    - OPTION C - Elect coverage for annuities to begin upon Reservist's death, regardless of Reservist's age when death occurs.
  - Premiums based upon age differences between Reservist and beneficiary at time of enrollment.
  - Annuities reduced by actuarial factor to pay for coverage which is in effect before age 60.

### **P.L. 96-402 (9 October 1980)**

- Eliminated application of premium computation formula each time retired pay increases with COLAs. Instead, premiums increase at same rate as COLA, thereby fixing premiums as a constant percentage of retired pay.
- Social Security offsets limited to 40 percent of a survivor's annuity, thereby eliminating possible total offset of annuity due to receipt of SS widow benefits.
- SBP benefits payable to "Forgotten Widows" -- widows of retirement-eligible service members who died on active duty before SBP was enacted on 21 September 1972.
- Permitted withdrawal from SBP for retirees rated totally disabled by VA for 5 continuous years since retirement or for 10 continuous years beginning after retirement.

### **P.L. 97-35 (13 August 1981)**

- Authorized open enrollment season to permit non-participants to take advantage of program improvements during the period 1 October 1981 - 30 September 1982.
  - Retirees participating at less than maximum level also permitted to increase previously elected coverage.
  - Two-year survival period required for retirees before open season elections become valid. Premiums collected from retirees who died within two years of making elections refunded to designated beneficiaries.

## LEGISLATIVE HISTORY OF SBP (CONT'D)

### **Barber Decision, U.S. Court of Claims Decision 132-80C, 7 April 1982**

- Ruled that failure of services to notify spouses that a member declined coverage or elected less than maximum coverage for a spouse renders the member's election invalid. Automatic enrollment at the maximum level, therefore, results. (**NOTE: Navy changed notification procedures in December 1979 to require spouse's signature on election form to acknowledge awareness of members' SBP elections.**)

### **P.L. 97-252 (8 September 1982)**

Uniformed Services Former Spouses' Protection Act (USFSPA)

- Members who retire after 8 September 1982 permitted to (voluntarily) designate former spouses as insurable interest beneficiaries.

### **P.L. 97-253 (8 September 1982)**

Extended eligibility period for Minimum Income Widow benefits to 20 March 1974 to coincide with the end of the extended original open season.

### **P.L. 98-94 (24 September 1983)**

Permitted SBP participants who retired before 8 September 1982 to name former spouses as insurable interest beneficiaries during an open season between 24 September 1983 and 23 September 1984.

### **P.L. 98-525 (19 October 1984)**

- Permitted former spouses to have SBP insurable interest elections deemed on their behalf if members agreed to name them as beneficiaries and agreement is included in a court order. Elections could not be ordered.

- Permitted payment of SBP benefits paid to spouses of missing retirees who are presumed dead (after being missing for at least 30 days and approved by SECNAV).

**Thurmond Amendment:** Eliminated or reduced the Social Security offset to annuities paid to surviving spouses who are entitled to receive SS benefits based upon their own earnings records. (Repealed before it became effective by P.L. 99-145.)

### **P.L. 99-145 (8 November 1985) (effective 1 March 1986)**

- Established new "two-tier" method of computing SBP annuities for surviving spouses of members who became eligible for retirement on or after 1 October 1985.

- Annuities before survivor's age 62 calculated at 55 percent of elected base amount; annuities after survivor's age 62 calculated at 35 percent of elected base amount.

- Survivors of participants who retired or were eligible to retire before 1 October 1985 may have their annuities calculated under this method if it results in a higher annuity.

- Two-tier method of computing annuities also applied to annuities paid to disabled "children" who receive benefits beyond age 62.

- Eliminated Social Security offsets to annuities paid to widows with one child.

## LEGISLATIVE HISTORY OF SBP (CONT'D)

**Repealed Thurmond Amendment.** Permitted withdrawal from program for participants who retired between 19 October 1984 and 8 November 1985.

- Permitted payment of SBP annuities to children of retirement-eligible members who die in a common accident with their spouses.

### **P.L. 99-145 (8 November 1985) (effective 1 March 1986) (Cont'd)**

- Requires spousal concurrence for any election to decline participation or for less than maximum coverage for a spouse. Requirement may be waived if spouse's location is unknown and provides evidence that reasonable efforts were expended to locate the spouse.

- Permitted coverage for former spouses under the spouse category (rather than as insurable interest beneficiaries). Retirees permitted to change previously elected insurable interest elections to spouse category with concurrence of former spouse during period 8 November 1985 - 8 November 1986.

- Children acquired during marriage to former spouse permitted to be added to former spouse elections under the spouse category.

- Low-cost portion of premium computation formula (referred to as "threshold") indexed to inflation at same rate as COLAs to active duty pay. (\$309 as of 1 March 1986)

- Permitted SBP participants who remarry after retirement the option to terminate participation during first year of remarriage. Also permitted participants with reduced base amounts to increase base amounts during first year of marriage (requires payment of higher premiums retroactive to original enrollment date).

### **P.L. 99-661 (14 November 1986)**

- Reduced age at which remarriage suspends surviving spouse's eligibility to receive benefits to age 55.

- Eliminated reduction in benefits for disabled "children" annuitants at age 62.

- Empowers state courts to mandate SBP coverage for former spouses upon divorce. Applies only to court orders issued on or after 14 November 1986.

- Permitted participants to add children to former spouse elections until 1 March 1987 (for members who elected former spouse coverage prior to 14 November 1986).

- Permitted payment of SBP annuities to children of retirement-eligible service members who die on active duty if there is no surviving spouse or if surviving spouse subsequently dies.

(Threshold amount \$318 effective 1 January 1987.)

### **P.L. 100-180 (4 December 1987)**

- Permitted retirees who had been participating in SBP with spouse coverage for a previous spouse and who remarried before remarriage termination options were enacted by P.L. 99-145 to withdraw from the program during the one-year period between 3 March 1988 and 2 March 1989).

(Threshold amount \$324 effective 1 January 1988.)



## **LEGISLATIVE HISTORY OF SBP (CONT'D)**

### **P.L. 100-456 (29 September 1988)**

- Authorized payment of minimum SBP benefits to unremarried widows of retirement-eligible service members who died on active duty before 1 November 1953 (the effective date of the original Contingency Option Act).

(Threshold amount \$337 effective 1 January 1989.)

### **P.L. 101-189 (29 November 1989)**

- Revised method of computing SBP premiums to a flat 6.5 percent of a participant's elected base amount for all non-disability retirees who enter service on or after 1 March 1990. All service members who entered service before 1 March 1990 are grandfathered under two-part premium computation formula if it results in a lower premium.

- New 6.5 percent premium rate applied prospectively from 1 March 1990 to all existing SBP participants if it results in a lower premium.

- Disability retirees and Reservists are grandfathered indefinitely regardless of when they enter service.

- Enacted new Supplemental Survivor Benefit Plan (SSBP) to permit SBP participants to purchase additional coverage to eliminate reductions in survivors' post-age-62 benefits. Effective date 1 October 1991 (later extended to 1 April 1992). Additional premiums based upon member's age at time of enrollment.

- Authorized one-year open enrollment season between 1 October 1991 and 30 September 1992 during which all retirees may enroll in both SBP and SSBP (beginning date later extended to 1 April 1992). Two-year survival period required before open season elections become valid. Premiums refunded to survivors of participants who make new elections during open season but die before end of survival period.

- Permits payment of annuities to survivors of retirement-eligible service members who die on active duty, but who had not served in grade long enough to become entitled to retired pay for that grade, based upon the grade the member actually held at time of death.

(Threshold amount \$349 effective 1 January 1990.)

### **P.L. 101-510 (5 November 1990)**

- Postponed effective date of SSBP and open season to 1 April 1992.

(Threshold amount \$378 effective 1 January 1991.)

### **P.L. 102-190 (5 December 1991)**

- Established four benefit levels under SSBP: 5 percent, 10 percent, 15 percent, or 20 percent of retired pay.

- Limits participation in SSBP to members participating in basic SBP at the maximum level.

- Permits DOD to charge additional premiums for open season elections.

- Established procedures to pay SBP annuities to mentally incompetent beneficiaries when no guardian has been appointed.

(Threshold amount \$378 effective 1 January 1992.)

## **LEGISLATIVE HISTORY OF SBP (CONT'D)**

### **P.L. 103-337 (5 October 1994)**

- Allows SBP insurable interest participants whose beneficiary is not a former spouse to voluntarily terminate participation in SBP.

## REPORTING AND CORRECTION PROCEDURES

CHANGE	PROCEDURE
IF MEMBER HAS/WAS	
No dependents, later marries and desires SBP coverage.	Send a letter of explanation along with a copy of marriage certificate to DFAS-CL requesting participation within one year.
No dependents, later acquires dependent child(ren) and desires SBP coverage.	Send a letter of explanation along with a copy of birth certificate or adoption paperwork to DFAS-CL requesting participation within one year..
Spouse, no child(ren) later acquires children and desires to resume or cancel SBP.	Send a letter of explanation along with a copy of birth certificate or adoption paperwork to DFAS-CL.
No spouse, loses spouse, remarries.	Send a letter of explanation along with a copy of death certificate; premiums will be suspended. Once remarriage occurs, you have <b><u>one year</u></b> to add your current spouse as a eligible beneficiary by sending a letter of explanation and a copy of the marriage certificate
Spouse and/or child, acquires former spouse, changes coverage to former spouse or former spouse and child coverage.	Send a letter of explanation along with a copy of divorce decree requesting change to former spouse and/or child coverage.
Automatically enrolled, but declined participation and had spouse concurrence (within one year).	Send a letter of explanation with a notarized affidavit with spouse's signature to the Retired Activities Branch, BUPERS.
Spouse and/or child, and desires to increase previously elected base amount for new spouse.	Send a letter of explanation along with a copy of marriage certificate to DFAS-CL. ( <b>NOTE:</b> Where level of SBP coverage is increased, the member must pay the difference between the costs incurred and the costs that would have been incurred had the higher level of coverage been elected originally plus interest.)
Improperly counseled (within one year).	Send a letter to the Retired Activities Branch, BUPERS, requesting an Administrative Error Change (AEC)
Improperly counseled (more than one year).	Submit a DD Form 149 to Board for Correction of Naval Records

**LOW-COST THRESHOLD FOR SBP COST COMPUTATIONS EFFECTIVE AS OF 1 DECEMBER 1996  
FOR THOSE WHO FIRST BECAME MEMBERS OF A UNIFORMED SERVICE**

<b>BEFORE 3 Sep 80</b> If retired pay based on Rates effective	<b>Amount is:</b>
Pre 1 Oct 85	\$432.26
1 Oct 85	\$445.24
1 Jan 87	\$450.14
1 Jan 88	\$438.87
1 Jan 89	\$437.67
1 Jan 90	\$433.36
1 Jan 91	\$424.68
1 Jan 92	\$430.59
1 Jan 93	\$433.53
1 Jan 94	\$432.67
1 Jan 95	\$431.38
1 Jan 96	\$431.53

<b>Personnel entered service between</b>	
<b>8 Sep 60 - 31 Jul 86</b>	<b>Amount is</b>
Pre 1 Oct 85	\$432.26
Oct 85 thru 1986	\$445.24
During 1987	\$450.14
During 1988	\$438.87
During 1989	\$437.67
During 1990	\$433.36
During 1991	\$424.68
During 1992	\$430.59
During 1993	\$433.53
During 1994	\$432.67
During 1995	\$431.55
Jan - Mar 96	\$427.32
Apr - Jun 96	\$423.11
Jul - Sep 96	\$421.00
Oct Dec 96	\$421.00

<b>AFTER 31 Jul 86</b> If retired pay based on Rates effective	<b>Amount is:</b>
Aug - Sep 86	\$398.87
Oct - Dec 86	\$398.87
Jan - Mar 87	\$412.47
Apr - Jun 87	\$407.70
Jul - Sep 87	\$402.52
Oct - Dec 87	\$401.72
Jan - Mar 88	\$397.79
Apr - Jun 88	\$402.32
Jul - Sep 88	\$397.76
Oct - Dec 88	\$393.46
Jan - Mar 89	\$406.10
Apr - Jun 89	\$402.94
Jul - Sep 89	\$396.63
Oct - Dec 89	\$394.66
Jan - Mar 90	\$405.95
Apr - Jun 90	\$400.09
Jul - Sep 90	\$397.36
Oct - Dec 90	\$391.48
Jan - Mar 91	\$401.24
Apr - Jun 91	\$400.05
Jul - Sep 91	\$398.47
Oct - Dec 91	\$396.47
Jan - Mar 92	\$410.84
Apr - Jun 92	\$409.63
Jul - Sep 92	\$406.79
Oct - Dec 92	\$404.77
Jan - Mar 93	\$418.10
Apr - Jun 93	\$416.04
Jul - Sep 93	\$413.97
Oct - Dec 93	\$413.14
Jan - Mar 94	\$420.97
Apr - Jun 94	\$420.13
Jul - Sep 94	\$418.07
Oct - Dec 94	\$415.16
Jan - Mar 95	\$424.25
Apr - Jun 95	\$422.16
Jul - Sep 95	\$419.64
Oct - Dec 95	\$418.81
Jan - Mar 96	\$428.16
Apr - Jun 96	\$425.21
Jul - Sep 96	\$421.84
Oct - Dec 96	\$421.00

## NON-DISABILITY MALE RETIREE LIFE EXPECTANCIES

The table below shows the life expectancies (in years remaining) of male military retirees based upon actual military retiree mortality experience. The numbers do not reflect life expectancies of female retirees, since the number of female retirees in history is not large enough to predict life expectancies with accuracy. Generally, however, female life expectancies, including those of female spouses, may be estimated by using the life expectancy of a male who is 6 years younger. For example, the life expectancy of a 45-year-old female enlisted would be approximately the same as that for a 39-year-old male enlisted (36.5 years). Military retirees, generally, live 3 years longer than civilians of the same age.

Age	Officer	Enlisted
35	43.36	40.14
36	42.42	39.24
37	41.48	38.33
38	40.55	37.41
39	39.62	36.50
40	38.69	35.58
41	37.76	34.66
42	36.83	33.74
43	35.90	32.82
44	34.97	31.90
45	34.05	30.99
46	33.12	30.09
47	32.20	29.19
48	31.29	28.30
49	30.38	27.42
50	29.48	26.55
51	28.59	25.69
52	27.70	24.86
53	26.82	24.04
54	25.95	23.24
55	25.09	22.44
56	24.23	21.66
57	23.38	20.88
58	22.54	20.11
59	21.71	19.35
60	20.89	18.61
61	20.08	17.87
62	19.28	17.16
63	18.49	16.46
64	17.71	15.77
65	16.95	15.11
66	16.19	14.45
67	15.45	13.81
68	14.73	13.19
69	14.02	12.58
70	13.33	11.99
71	12.66	11.43
72	12.00	10.89

Age	Officer	Enlisted
73	11.37	10.38
74	10.76	9.90
75	10.17	9.44
76	9.61	8.99
77	9.08	8.57
78	8.56	8.16
79	8.08	7.76
80	7.62	7.39
81	7.19	7.02
82	6.78	6.68
83	6.39	6.34
84	6.02	6.01
85	5.67	5.67
86	5.33	5.33
87	5.01	5.01
88	4.73	4.73
89	4.47	4.47
90	4.23	4.23
91	4.01	4.01
92	3.81	3.81
93	3.62	3.62
94	3.45	3.45
95	3.29	3.29
96	3.13	3.13
97	2.98	2.98
98	2.84	2.84
99	2.69	2.69
100	2.55	2.55
101	2.41	2.41
102	2.27	2.27
103	2.14	2.14
104	2.01	2.01
105	1.87	1.87
106	1.56	1.56
107	1.72	1.72
108	1.34	1.34
109	1.03	1.03
110	.50	.50

### SUPPLEMENTAL SBP (SSBP) PREMIUM RATES

This chart lists the premium rates for EACH SSBP UNIT. Refer to Slide 8B for instructions on how to calculate SSBP premiums.

Age at Election	Premium Rate
16	0.0047
17	0.0049
18	0.0051
19	0.0053
20	0.0056
21	0.0058
22	0.0061
23	0.0064
24	0.0066
25	0.0069
26	0.0072
27	0.0075
28	0.0079
29	0.0082
30	0.0086
31	0.0086
32	0.0090
33	0.0094
34	0.0099
35	0.0104
36	0.0109
37	0.0084
38	0.0087
39	0.0089
40	0.0092
41	0.0099
42	0.0097
43	0.0100
44	0.0105
45	0.0110
46	0.0117
47	0.0123
48	0.0127
49	0.0135
50	0.0144
51	0.0150
52	0.0158
53	0.0166
54	0.0177
55	0.0187
56	0.0201
57	0.0210
58	0.0222
59	0.0235
60	0.0238
61	0.0270
62	0.0275

Age at Election	Premium Rate
63	0.0292
64	0.0314
65	0.0325
66	0.0339
67	0.0357
68	0.0357
69	0.0370
70	0.0384
71	0.0403
72	0.0429
73	0.0430
74	0.0457
75	0.0483
76	0.0503
77	0.0526
78	0.0550
79	0.0575
80	0.0604
81	0.0630
82	0.0657
83	0.0687
84	0.0719
85	0.0755
86	0.0788
87	0.0825
88	0.0997
89	0.0908
90	0.0955
91	0.1015
92	0.1077
93	0.1139
94	0.1202
95	0.1265
96	0.1327
97	0.1382
98	0.1396
99	0.1380
100	0.1364
101	0.1350
102	0.1338
103	0.1331
104	0.1334
105	0.1355
106	0.1416
107	0.1572
108	0.2022
109	0.4286

# CHILD ONLY PREMIUM RATES

AGE OF RETIREE	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
17	.0132	.0125	.0119	.0112	.0106	.0099	.0092	.0086	.0079	.0073	.0067	.0060	.0054	.0048	.0042	.0036	.0031	.0027	.0023	.0018	.0013	.0008	.0004
18	.0134	.0128	.0121	.0115	.0108	.0101	.0095	.0088	.0081	.0075	.0068	.0062	.0056	.0049	.0043	.0038	.0032	.0028	.0024	.0019	.0014	.0008	.0004
19	.0137	.0130	.0123	.0117	.0110	.0103	.0097	.0090	.0083	.0076	.0070	.0063	.0057	.0051	.0044	.0039	.0033	.0028	.0024	.0019	.0014	.0009	.0004
20	.0139	.0132	.0125	.0119	.0112	.0105	.0098	.0091	.0085	.0078	.0071	.0065	.0058	.0052	.0045	.0039	.0034	.0029	.0025	.0020	.0014	.0009	.0004
21	.0141	.0134	.0127	.0120	.0113	.0107	.0100	.0093	.0086	.0079	.0072	.0065	.0059	.0052	.0046	.0040	.0034	.0030	.0026	.0020	.0015	.0009	.0004
22	.0142	.0135	.0128	.0122	.0115	.0108	.0101	.0094	.0087	.0080	.0073	.0066	.0059	.0053	.0046	.0040	.0035	.0030	.0026	.0021	.0015	.0010	.0004
23	.0144	.0137	.0130	.0123	.0116	.0109	.0102	.0095	.0088	.0081	.0074	.0067	.0060	.0053	.0047	.0040	.0035	.0030	.0026	.0021	.0015	.0010	.0004
24	.0146	.0138	.0131	.0124	.0117	.0110	.0103	.0096	.0089	.0081	.0074	.0067	.0060	.0054	.0047	.0041	.0035	.0030	.0026	.0021	.0015	.0010	.0004
25	.0148	.0140	.0133	.0126	.0118	.0111	.0104	.0097	.0090	.0083	.0076	.0068	.0061	.0054	.0048	.0041	.0035	.0030	.0026	.0020	.0015	.0009	.0004
26	.0151	.0143	.0135	.0128	.0120	.0113	.0106	.0098	.0091	.0084	.0077	.0070	.0063	.0056	.0049	.0042	.0036	.0031	.0026	.0021	.0015	.0009	.0004
27	.0154	.0146	.0138	.0130	.0122	.0115	.0107	.0100	.0093	.0085	.0078	.0071	.0064	.0057	.0050	.0043	.0037	.0032	.0027	.0021	.0015	.0009	.0004
28	.0157	.0148	.0140	.0132	.0124	.0116	.0109	.0101	.0094	.0087	.0079	.0072	.0065	.0058	.0051	.0045	.0038	.0033	.0028	.0023	.0016	.0010	.0005
29	.0161	.0152	.0143	.0135	.0126	.0118	.0110	.0103	.0095	.0088	.0080	.0073	.0066	.0059	.0052	.0046	.0039	.0034	.0029	.0024	.0017	.0011	.0005
30	.0164	.0154	.0145	.0136	.0127	.0119	.0111	.0103	.0095	.0088	.0080	.0073	.0066	.0059	.0052	.0045	.0039	.0034	.0029	.0024	.0017	.0011	.0005
31	.0169	.0159	.0149	.0139	.0130	.0121	.0113	.0104	.0096	.0088	.0081	.0073	.0066	.0059	.0052	.0045	.0039	.0034	.0029	.0023	.0017	.0011	.0005
32	.0174	.0163	.0152	.0142	.0132	.0123	.0114	.0105	.0097	.0088	.0080	.0073	.0065	.0058	.0051	.0044	.0038	.0033	.0028	.0023	.0017	.0011	.0005
33	.0178	.0166	.0155	.0144	.0134	.0124	.0115	.0106	.0097	.0088	.0080	.0072	.0065	.0057	.0050	.0043	.0037	.0032	.0028	.0022	.0016	.0010	.0005
34	.0183	.0170	.0158	.0146	.0136	.0125	.0115	.0106	.0097	.0088	.0080	.0072	.0064	.0057	.0049	.0043	.0036	.0031	.0027	.0021	.0016	.0010	.0005
35	.0183	.0170	.0158	.0146	.0135	.0124	.0114	.0104	.0095	.0087	.0078	.0070	.0062	.0055	.0048	.0041	.0035	.0030	.0026	.0020	.0015	.0009	.0004
36	.0168	.0155	.0144	.0132	.0122	.0112	.0103	.0094	.0085	.0077	.0069	.0062	.0055	.0049	.0042	.0036	.0031	.0026	.0022	.0018	.0013	.0008	.0004
37	.0116	.0106	.0098	.0090	.0082	.0075	.0068	.0062	.0056	.0050	.0045	.0040	.0035	.0031	.0027	.0023	.0020	.0017	.0014	.0011	.0008	.0005	.0002
38	.0090	.0082	.0075	.0068	.0062	.0056	.0050	.0045	.0041	.0036	.0032	.0028	.0025	.0022	.0019	.0016	.0013	.0011	.0010	.0008	.0005	.0003	.0002
39	.0096	.0083	.0080	.0072	.0065	.0059	.0053	.0047	.0042	.0038	.0033	.0029	.0025	.0022	.0019	.0016	.0014	.0011	.0010	.0008	.0005	.0003	.0002
40	.0104	.0095	.0086	.0078	.0070	.0063	.0057	.0051	.0045	.0040	.0035	.0031	.0027	.0023	.0020	.0017	.0014	.0012	.0010	.0008	.0006	.0003	.0002
41	.0114	.0104	.0095	.0086	.0077	.0070	.0062	.0056	.0050	.0044	.0039	.0034	.0029	.0025	.0021	.0018	.0015	.0013	.0011	.0008	.0006	.0004	.0002
42	.0111	.0101	.0092	.0083	.0075	.0068	.0061	.0054	.0048	.0042	.0037	.0032	.0028	.0024	.0020	.0017	.0014	.0012	.0010	.0008	.0005	.0003	.0002
43	.0117	.0107	.0097	.0088	.0080	.0072	.0065	.0058	.0051	.0045	.0040	.0035	.0030	.0026	.0022	.0018	.0015	.0013	.0010	.0008	.0006	.0003	.0002
44	.0131	.0120	.0109	.0099	.0090	.0081	.0073	.0065	.0058	.0051	.0045	.0039	.0034	.0029	.0025	.0021	.0017	.0014	.0012	.0009	.0006	.0004	.0002
45	.0150	.0137	.0125	.0113	.0103	.0093	.0083	.0075	.0067	.0059	.0052	.0045	.0039	.0034	.0028	.0024	.0020	.0017	.0014	.0011	.0007	.0005	.0002
46	.0171	.0157	.0143	.0130	.0118	.0107	.0096	.0086	.0077	.0068	.0060	.0053	.0046	.0039	.0033	.0028	.0023	.0019	.0016	.0012	.0009	.0005	.0002
47	.0189	.0173	.0158	.0144	.0131	.0118	.0107	.0096	.0085	.0076	.0067	.0059	.0051	.0044	.0037	.0031	.0026	.0022	.0018	.0014	.0010	.0006	.0003
48	.0207	.0190	.0174	.0158	.0144	.0130	.0118	.0106	.0095	.0084	.0074	.0065	.0056	.0049	.0041	.0035	.0029	.0024	.0020	.0016	.0011	.0007	.0003
49	.0227	.0208	.0190	.0174	.0158	.0143	.0129	.0116	.0104	.0093	.0082	.0072	.0062	.0054	.0046	.0038	.0032	.0027	.0022	.0017	.0012	.0007	.0003
50	.0245	.0225	.0206	.0188	.0171	.0155	.0140	.0126	.0113	.0101	.0089	.0078	.0068	.0059	.0050	.0042	.0035	.0030	.0025	.0019	.0014	.0008	.0004
51	.0267	.0245	.0224	.0205	.0186	.0169	.0153	.0138	.0123	.0110	.0097	.0086	.0075	.0064	.0055	.0046	.0039	.0032	.0027	.0021	.0015	.0009	.0004
52	.0306	.0282	.0258	.0236	.0215	.0196	.0177	.0160	.0143	.0128	.0114	.0100	.0087	.0075	.0065	.0055	.0046	.0038	.0032	.0025	.0018	.0011	.0005
53	.0335	.0308	.0282	.0258	.0235	.0214	.0193	.0174	.0156	.0139	.0124	.0109	.0095	.0082	.0070	.0059	.0050	.0042	.0035	.0027	.0019	.0012	.0005
54	.0395	.0363	.0333	.0305	.0279	.0253	.0229	.0207	.0186	.0166	.0147	.0146	.0113	.0098	.0084	.0071	.0059	.0050	.0042	.0033	.0023	.0014	.0007
55	.0446	.0410	.0377	.0345	.0315	.0287	.0260	.0234	.0210	.0188	.0166	.0156	.0128	.0110	.0094	.0080	.0067	.0056	.0047	.0037	.0026	.0016	.0007
56	.0472	.0435	.0400	.0366	.0334	.0304	.0276	.0249	.0224	.0200	.0177	.0179	.0137	.0118	.0101	.0086	.0072	.0061	.0051	.0040	.0028	.0017	.0008
57	.0534	.0492	.0452	.0415	.0379	.0346	.0314	.0283	.0255	.0228	.0202	.0174	.0156	.0135	.0116	.0098	.0082	.0070	.0058	.0046	.0033	.0020	.0009
58	.0534	.0492	.0451	.0413	.0376	.0342	.0310	.0279	.0251	.0223	.0198	.0219	.0152	.0131	.0112	.0095	.0079	.0067	.0056	.0044	.0031	.0019	.0009
59	.0659	.0608	.0559	.0512	.0468	.0426	.0386	.0349	.0313	.0280	.0248	.0205	.0191	.0165	.0141	.0119	.0100	.0084	.0070	.0055	.0039	.0024	.0011
60	.0632	.0581	.0533	.0487	.0444	.0404	.0365	.0329	.0295	.0263	.0233	.0256	.0178	.0154	.0131	.0111	.0092	.0078	.0065	.0051	.0036	.0022	.0010
61	.0767	.0707	.0650	.0596	.0545	.0496	.0450	.0407	.0366	.0327	.0290	.0262	.0224	.0193	.0165	.0140	.0117	.0099	.0082	.0064	.0046	.0028	.0013
62	.0795	.0732	.0672	.0615	.0562	.0511	.0463	.0418	.0375	.0335	.0297	.0262	.0228	.0197	.0169	.0143	.0119	.0100	.0084	.0066	.0046	.0029	.0013
63	.0880	.0811	.0745	.0682	.0623	.0567	.0514	.0464	.0416	.0372	.0330	.0291	.0254	.0220	.0188	.0159	.0133	.0112	.0094	.0073	.0052	.0032	.0015
64	.0957	.0882	.0810	.0742	.0677	.0615	.0557	.0502	.0451	.0402	.0356	.0314	.0274	.0237	.0202	.0171	.0143	.0120	.0101	.0079	.0056	.0034	.0016
65	.1038	.0956	.0878	.0804	.0733	.0666	.0603	.0544	.0488	.0435	.0386	.0340	.0296	.0256	.0219	.0185	.0155	.0131	.0110	.0086	.0061	.0037	.0017
66	.1184	.1092	.1004	.0920	.0840	.0765	.0693	.0625	.0561	.0501	.0444	.0391	.0341	.0295	.0252	.0213	.0179	.0151	.0127	.0099	.0070	.0043	.0020
67	.1274	.1175	.1080	.0989	.0903	.0821	.0743	.0669	.0600	.0535	.0474	.0417	.0363	.0314	.0268	.0226	.0190	.0160	.0134	.0105	.0074	.0046	.0021
68	.1465	.1353	.1245	.1141	.1042	.0948	.0859	.0774	.0694	.0619	.0548	.0482	.0420	.0363	.0310	.0262	.0219	.0185	.0155	.0121	.0086	.0053	.0024
69	.1542	.1424	.1310	.1201	.1097	.0997	.0903	.0814	.0729	.0650	.0575	.0505	.0440	.0380	.0324	.0273	.0229	.0192	.0161	.0126	.0089	.0055	.0025

**PREMIUM RATES FOR 5% RC-SBP SUPPLEMENT  
WHEN SURVIVING SPOUSE REACHES AGE 62  
ASSUMING AN DEFERRED BENEFIT (B)**

AGE AT ELECTION	PREMIUM
35	.0249
36	.0249
37	.0248
38	.0248
39	.0248
40	.0248
41	.0249
42	.0248
43	.0248
44	.0247
45	.0247
46	.0246
47	.0245
48	.0245
49	.0245
50	.0244
51	.0242
52	.0241
53	.0239
54	.0237
55	.0235
56	.0233
57	.0230
58	.0227
59	.0224
60	.0217
61	.0217
62	.0229
63	.0241
64	.0255
65	.0269
66	.0282
67	.0296
68	.0310
69	.0325

AGE AT ELECTION	PREMIUM
70	.0340
71	.0357
72	.0375
73	.0393
74	.0414
75	.0435
76	.0460
77	.0484
78	.0508
79	.0535
80	.0565
81	.0593
82	.0623
83	.0654
84	.0689
85	.0728
86	.0763
87	.0802
88	.0848
89	.0889
90	.0939
91	.1001
92	.1064
93	.1130
94	.1195
95	.1261
96	.1326
97	.1383
98	.1397
99	.1377
100	.1357
101	.1339
102	.1324
103	.1314
104	.1313

**NOTES:**

- 1. USE MEMBER'S AGE OF THE NEAREST BIRTHDAY.**
- 2. THE PREMIUM IS GIVEN AS A PROPORTION OF THE BASE AMOUNT.**
- 3. IN THE EVENT OF REMARRIAGE USE AGE AT INITIAL ELECTION OF THE SUPPLEMENT.**



**PREMIUM RATES FOR 5% RC-SBP SUPPLEMENT  
WHEN SURVIVING SPOUSE REACHES AGE 62  
ASSUMING AN IMMEDIATE (C)**

AGE AT ELECTION	PREMIUM
35	.0250
36	.0250
37	.0250
38	.0248
39	.0250
40	.0250
41	.0251
42	.0251
43	.0251
44	.0250
45	.0250
46	.0249
47	.0247
48	.0246
49	.0246
50	.0245
51	.0244
52	.0243
53	.0241
54	.0240
55	.0238
56	.0236
57	.0233
58	.0230
59	.0227
60	.0219
61	.0231
62	.0243
63	.0256
64	.0270
65	.0283
66	.0296
67	.0308
68	.0321
69	.0334

AGE AT ELECTION	PREMIUM
70	.0347
71	.0361
72	.0378
73	.0397
74	.0417
75	.0439
76	.0463
77	.0486
78	.0511
79	.0537
80	.0567
81	.0594
82	.0623
83	.0654
84	.0688
85	.0726
86	.0760
87	.0799
88	.0843
89	.0884
90	.0933
91	.0994
92	.1057
93	.1121
94	.1186
95	.1251
96	.1315
97	.1371
98	.1385
99	.1366
100	.1347
101	.1330
102	.1315
103	.1306
104	.1306

**NOTES:**

- 1. USE MEMBER'S AGE OF THE NEAREST BIRTHDAY.**
- 2. THE PREMIUM IS GIVEN AS A PROPORTION OF THE BASE AMOUNT.**
- 3. IN THE EVENT OF REMARRIAGE USE AGE AT INITIAL ELECTION OF THE SUPPLEMENT.**

**METHOD: TWO-TIER**  
**TYPE: DEFERRED TO MEMBER'S AGE 60 (B)**  
**OPTION: SPOUSE ONLY OR**  
**SPOUSE/CHILD (IF BOTH SPOUSE & CHILD STILL ELIGIBLE)**

MEMBERS AGE NEAREST BIRTHDAY AT ELECTION	-----YRS YOUNGER THAN MEMBER-----								-----YRS OLDER THAN MEMBER-----							
	35-39	30-34	25-29	20-24	15-19	10-14	05-09	00-04	01-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39
*59.5	.0012	.0015	.0018	.0020	.0022	.0023	.0022	.0020	.0018	.0017	.0017	.0016	.0016	.0016	.0015	.0015
59	.0024	.0030	.0036	.0041	.0044	.0045	.0045	.0040	.0035	.0034	.0033	.0032	.0032	.0031	.0031	.0031
58	.0043	.0054	.0066	.0076	.0082	.0086	.0084	.0077	.0067	.0065	.0063	.0062	.0060	.0059	.0059	.0059
57	.0058	.0075	.0092	.0107	.0116	.0121	.0120	.0110	.0096	.0093	.0091	.0088	.0086	.0085	.0084	.0084
56	.0071	.0091	.0113	.0133	.0145	.0152	.0152	.0140	.0123	.0119	.0115	.0112	.0110	.0108	.0107	.0107
55	.0080	.0105	.0131	.0155	.0170	.0180	.0180	.0166	.0146	.0142	.0138	.0134	.0131	.0129	.0128	.0128
54	.0088	.0116	.0146	.0174	.0192	.0203	.0205	.0190	.0168	.0162	.0158	.0154	.0150	.0148	.0147	.0147
53	.0094	.0125	.0158	.0189	.0211	.0224	.0226	.0211	.0186	.0181	.0175	.0171	.0168	.0165	.0164	.0164
52		.0132	.0168	.0202	.0227	.0241	.0245	.0229	.0203	.0197	.0191	.0187	.0183	.0180	.0179	.0179
51		.0137	.0176	.0213	.0240	.0257	.0261	.0246	.0218	.0212	.0206	.0201	.0197	.0194	.0192	.0192
50		.0142	.0183	.0222	.0251	.0270	.0275	.0260	.0232	.0225	.0219	.0213	.0209	.0206	.0204	.0204
49		.0145	.0188	.0229	.0261	.0281	.0287	.0272	.0243	.0237	.0230	.0224	.0220	.0217	.0215	.0215
48		.0148	.0192	.0235	.0269	.0290	.0298	.0283	.0254	.0247	.0240	.0234	.0229	.0226	.0224	.0224
47			.0195	.0240	.0275	.0298	.0307	.0292	.0263	.0256	.0249	.0243	.0238	.0234	.0233	.0232
46			.0198	.0244	.0280	.0305	.0314	.0300	.0270	.0264	.0257	.0250	.0245	.0242	.0240	.0240
45			.0200	.0247	.0285	.0311	.0313	.0307	.0277	.0271	.0263	.0257	.0252	.0248	.0246	.0246
44			.0201	.0249	.0288	.0315	.0326	.0313	.0283	.0277	.0269	.0263	.0258	.0254	.0252	.0252
43			.0202	.0252	.0291	.0319	.0330	.0317	.0287	.0282	.0275	.0268	.0263	.0259	.0257	.0257
42				.0252	.0293	.0322	.0334	.0321	.0291	.0286	.0279	.0272	.0267	.0263	.0261	.0261
41				.0254	.0295	.0324	.0337	.0325	.0295	.0290	.0283	.0276	.0271	.0267	.0265	.0264
40				.0254	.0296	.0326	.0340	.0328	.0298	.0294	.0287	.0280	.0274	.0270	.0268	.0268
39				.0255	.0297	.0328	.0342	.0331	.0301	.0297	.0290	.0283	.0278	.0274	.0272	.0271
38				.0256	.0298	.0329	.0344	.0333	.0303	.0300	.0293	.0286	.0281	.0277	.0275	.0274
37					.0299	.0331	.0346	.0335	.0306	.0302	.0296	.0289	.0284	.0280	.0278	.0277
36					.0300	.0332	.0348	.0338	.0308	.0305	.0299	.0292	.0287	.0283	.0280	.0280
35					.0301	.0333	.0349	.0339	.0310	.0307	.0302	.0295	.0289	.0285	.0283	.0283
34					.0301	.0334	.0350	.0341	.0312	.0310	.0304	.0298	.0292	.0288	.0286	.0285
33					.0302	.0335	.0352	.0343	.0314	.0312	.0306	.0300	.0295	.0291	.0288	.0288
32						.0335	.0353	.0344	.0315	.0314	.0309	.0303	.0297	.0293	.0291	.0290
31						.0336	.0354	.0345	.0317	.0316	.0311	.0305	.0300	.0296	.0293	.0293
30						.0336	.0354	.0347	.0318	.0317	.0313	.0308	.0302	.0298	.0296	.0295

\*59.5 INDICATES MEMBERS AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

YEARS BENEFICIARY YOUNGER DETERMINED Y SUBTRACTING BENEFICIARY AGE NEAREST BIRTHDAY FROM MEMBERS AGE NEAREST BIRTHDAY

YEARS BENEFICIARY OLDER DETERMINED BY SUBTRACTING MEMBER AGE NEAREST BIRTHDAY FROM BENEFICIARY'S AGE NEAREST BIRTHDAY.

**METHOD: TWO-TIER**  
**TYPE: IMMEDIATE AT MEMBER'S DEATH (C)**  
**OPTION: SPOUSE ONLY OR**  
**SPOUSE/CHILD (IF BOTH SPOUSE & CHILD STILL ELIGIBLE)**

MEMBERS AGE NEAREST BIRTHDAY AT ELECTION	-----YRS YOUNGER THAN MEMBER-----								-----YRS OLDER THAN MEMBER-----							
	35-39	30-34	25-29	20-24	15-19	10-14	05-09	00-04	01-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39
*59.5	.0013	.0016	.0020	.0022	.0024	.0025	.0024	.0022	.0020	.0019	.0018	.0018	.0018	.0018	.0018	.0019
59	.0026	.0033	.0039	.0045	.0048	.0050	.0049	.0044	.0039	.0037	.0037	.0036	.0036	.0036	.0036	.0037
58	.0049	.0062	.0074	.0085	.0092	.0096	.0095	.0087	.0078	.0074	.0072	.0071	.0072	.0073	.0076	.0081
57	.0070	.0087	.0106	.0122	.0132	.0139	.0138	.0129	.0115	.0108	.0107	.0106	.0108	.0112	.0120	.0132
56	.0088	.0110	.0134	.0155	.0169	.0178	.0179	.0168	.0152	.0141	.0140	.0140	.0144	.0152	.0167	.0189
55	.0104	.0130	.0159	.0185	.0202	.0214	.0217	.0205	.0187	.0172	.0172	.0173	.0180	.0193	.0216	.0253
54	.0117	.0148	.0180	.0211	.0233	.0247	.0251	.0240	.0220	.0202	.0202	.0205	.0214	.0233	.0267	.0322
53	.0119	.0163	.0200	.0234	.0260	.0276	.0283	.0272	.0252	.0231	.0230	.0236	.0248	.0273	.0319	.0396
52		.0176	.0216	.0255	.0284	.0303	.0312	.0302	.0281	.0259	.0257	.0264	.0281	.0313	.0372	.0474
51		.0188	.0231	.0273	.0306	.0327	.0338	.0330	.0309	.0286	.0283	.0292	.0312	.0351	.0425	.0554
50		.0198	.0244	.0289	.0325	.0349	.0362	.0355	.0335	.0311	.0306	.0318	.0342	.0389	.0478	.0637
49		.0206	.0255	.0303	.0341	.0369	.0383	.0378	.0359	.0335	.0329	.0342	.0370	.0425	.0529	.0719
48		.0214	.0264	.0315	.0356	.0386	.0402	.0399	.0381	.0357	.0350	.0365	.0397	.0459	.0579	.0801
47		.0272	.0325	.0369	.0401	.0420	.0418	.0401	.0378	.0371	.0386	.0422	.0492	.0628	.0882	
46		.0279	.0334	.0380	.0415	.0435	.0435	.0420	.0397	.0390	.0406	.0446	.0523	.0674	.0960	
45		.0285	.0342	.0390	.0427	.0449	.0451	.0436	.0415	.0408	.0424	.0467	.0552	.0718	.1036	
44		.0290	.0348	.0398	.0437	.0461	.0464	.0451	.0431	.0425	.0441	.0488	.0579	.0760	.1107	
43		.0295	.0354	.0405	.0446	.0471	.0476	.0464	.0446	.0440	.0457	.0506	.0605	.0798	.1174	
42			.0358	.0411	.0453	.0480	.0487	.0476	.0459	.0454	.0471	.0523	.0627	.0834	.1237	
41			.0362	.0417	.0460	.0489	.0497	.0487	.0471	.0468	.0486	.0539	.0650	.0869	.1298	
40			.0366	.0421	.0466	.0496	.0506	.0497	.0483	.0481	.0500	.0555	.0672	.0904	.1359	
39			.0369	.0426	.0472	.0504	.0514	.0507	.0494	.0494	.0515	.0571	.0694	.0938	.1420	
38			.0373	.0430	.0477	.0510	.0523	.0517	.0505	.0507	.0529	.0588	.0715	.0973	.1481	
37				.0434	.0482	.0517	.0531	.0526	.0516	.0520	.0544	.0604	.0737	.1007	.1542	
36				.0437	.0487	.0523	.0538	.0534	.0526	.0532	.0558	.0621	.0759	.1042	.1603	
35				.0440	.0491	.0528	.0545	.0543	.0537	.0544	.0573	.0639	.0781	.1077	.1664	
34				.0443	.0495	.0533	.0552	.0551	.0546	.0556	.0587	.0656	.0803	.1112	.1724	
33				.0446	.0499	.0539	.0559	.0559	.0556	.0568	.0602	.0674	.0826	.1148	.1785	
32					.0502	.0543	.0565	.0567	.0566	.0580	.0617	.0693	.0850	.1184	.1847	
31					.0506	.0548	.0571	.0575	.0576	.0592	.0632	.0713	.0877	.1223	.1912	
30					.0509	.0553	.0578	.0583	.0586	.0605	.0649	.0734	.0905	.1263	.1979	

\*59.5 INDICATES MEMBERS AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

YEARS BENEFICIARY YOUNGER DETERMINED BY SUBTRACTING BENEFICIARY AGE NEAREST BIRTHDAY FROM MEMBERS AGE NEAREST BIRTHDAY

YEARS BENEFICIARY OLDER DETERMINED BY SUBTRACTING MEMBER AGE NEAREST BIRTHDAY FROM BENEFICIARY'S AGE NEAREST BIRTHDAY.

**METHOD: TWO-TIER**  
**TYPE: DEFERRED TO MEMBER'S AGE 60 (B)**  
**OPTION: CHILD ONLY OR**  
**SPOUSE/CHILD (IF SPOUSE IS NO LONGER ELIGIBLE)**

MEMBER'S AGE NEAREST BIRTHDAY AT ELECTION	0	1	2	3	4	5	6	7	8	9	10
59.5	.0021	.0021	.0020	.0019	.0018	.0017	.0016	.0015	.0014	.0013	.0012
59	.0042	.0041	.0039	.0038	.0036	.0034	.0033	.0031	.0029	.0026	.0024
58	.0078	.0075	.0072	.0069	.0066	.0062	.0058	.0055	.0051	.0046	.0042
57	.0107	.0103	.0099	.0094	.0089	.0084	.0078	.0072	.0066	.0060	.0054
56	.0131	.0125	.0119	.0113	.0106	.0099	.0092	.0084	.0077	.0068	.0060
55	.0149	.0142	.0135	.0127	.0118	.0110	.0101	.0091	.0082	.0071	.0061
54	.0163	.0154	.0145	.0136	.0126	.0115	.0105	.0094	.0082	.0070	.0057
53	.0171	.0161	.0151	.0140	.0128	.0117	.0104	.0091	.0078	.0064	.0050
52	.0176	.0164	.0153	.0140	.0127	.0114	.0100	.0085	.0070	.0054	.0040
51	.0177	.0164	.0150	.0137	.0122	.0107	.0091	.0075	.0058	.0043	.0032
50	.0174	.0160	.0145	.0130	.0114	.0097	.0080	.0062	.0046	.0034	.0023
49	.0168	.0152	.0136	.0120	.0102	.0084	.0065	.0049	.0035	.0025	.0015
48	.0159	.0142	.0125	.0107	.0088	.0068	.0051	.0037	.0026	.0016	.0009
47	.0147	.0129	.0111	.0091	.0071	.0053	.0038	.0027	.0016	.0009	.0007
46	.0133	.0114	.0094	.0073	.0054	.0040	.0027	.0017	.0010	.0007	.0007
45	.0117	.0096	.0075	.0056	.0041	.0028	.0017	.0010	.0007	.0007	.0007
44	.0099	.0077	.0057	.0042	.0029	.0018	.0010	.0007	.0007	.0007	.0006
43	.0078	.0058	.0042	.0029	.0018	.0010	.0007	.0007	.0007	.0007	.0006
42	.0059	.0043	.0030	.0018	.0010	.0007	.0007	.0007	.0007	.0006	.0006
41	.0044	.0030	.0019	.0011	.0007	.0007	.0007	.0007	.0007	.0006	.0006
40	.0031	.0019	.0011	.0008	.0007	.0007	.0007	.0007	.0006	.0006	.0006
39	.0019	.0011	.0008	.0007	.0007	.0007	.0007	.0006	.0006	.0006	.0006
38	.0011	.0008	.0008	.0007	.0007	.0007	.0007	.0006	.0006	.0006	.0006
37	.0008	.0008	.0007	.0007	.0007	.0007	.0006	.0006	.0006	.0006	.0006
36	.0008	.0007	.0007	.0007	.0007	.0006	.0006	.0006	.0006	.0006	.0005
35	.0007	.0007	.0007	.0007	.0006	.0006	.0006	.0006	.0006	.0006	.0005
34	.0007	.0007	.0007	.0007	.0006	.0006	.0006	.0006	.0006	.0005	.0005
33	.0007	.0007	.0007	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0005
32	.0007	.0007	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0005	.0005
31	.0007	.0006	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0005	.0005
30	.0007	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0005	.0005	.0005

**TYPE: DEFERRED TO MEMBER'S AGE 60 (B)**  
**OPTION: CHILD ONLY OR**  
**SPOUSE/CHILD (IF SPOUSE IS NO LONGER ELIGIBLE)**

AGE OF YOUNGEST CHILD											
MEMBER'S AGE NEAREST BIRTHDAY AT ELECTION	11	12	13	14	15	16	17	18	19	20	21
59.5	.0011	.0010	.0009	.0007	.0006	.0005	.0003	.0003	.0003	.0002	.0002
59	.0022	.0020	.0017	.0015	.0012	.0009	.0007	.0007	.0006	.0004	.0003
58	.0037	.0033	.0028	.0023	.0018	.0012	.0008	.0009	.0007	.0005	.0005
57	.0047	.0040	.0033	.0025	.0019	.0009	.0005	.0008	.0006	.0005	.0007
56	.0051	.0042	.0033	.0024	.0018	.0006	.0004	.0006	.0006	.0007	.0008
55	.0050	.0039	.0029	.0021	.0015	.0005	.0005	.0005	.0007	.0008	.0009
54	.0045	.0033	.0024	.0017	.0010	.0005	.0005	.0006	.0007	.0008	.0010
53	.0037	.0027	.0019	.0012	.0007	.0005	.0005	.0006	.0007	.0009	.0010
52	.0029	.0020	.0013	.0007	.0005	.0005	.0005	.0006	.0008	.0009	.0010
51	.0022	.0014	.0008	.0006	.0006	.0005	.0005	.0006	.0008	.0009	.0011
50	.0014	.0008	.0006	.0006	.0006	.0005	.0005	.0007	.0008	.0009	.0011
49	.0009	.0006	.0006	.0006	.0006	.0005	.0005	.0007	.0008	.0009	.0011
48	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0007	.0008	.0009	.0011
47	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0007	.0008	.0009	.0011
46	.0006	.0006	.0006	.0006	.0006	.0005	.0005	.0007	.0008	.0009	.0011
45	.0006	.0006	.0006	.0006	.0005	.0005	.0005	.0007	.0008	.0009	.0011
44	.0006	.0006	.0006	.0006	.0005	.0005	.0005	.0007	.0008	.0009	.0010
43	.0006	.0006	.0006	.0006	.0005	.0005	.0005	.0006	.0008	.0009	.0010
42	.0006	.0006	.0006	.0005	.0005	.0005	.0005	.0006	.0008	.0009	.0010
41	.0006	.0006	.0006	.0005	.0005	.0005	.0005	.0006	.0008	.0009	.0010
40	.0006	.0006	.0005	.0005	.0005	.0005	.0005	.0006	.0007	.0009	.0010
39	.0006	.0005	.0005	.0005	.0005	.0005	.0004	.0006	.0007	.0008	.0010
38	.0006	.0005	.0005	.0005	.0005	.0005	.0004	.0006	.0007	.0008	.0009
37	.0005	.0005	.0005	.0005	.0005	.0005	.0004	.0006	.0007	.0008	.0009
36	.0005	.0005	.0005	.0005	.0005	.0004	.0004	.0006	.0007	.0008	.0009
35	.0005	.0005	.0005	.0005	.0005	.0004	.0004	.0005	.0007	.0008	.0009
34	.0005	.0005	.0005	.0005	.0004	.0004	.0004	.0005	.0006	.0007	.0008
33	.0005	.0005	.0005	.0004	.0004	.0004	.0004	.0005	.0006	.0007	.0008
32	.0005	.0005	.0004	.0004	.0004	.0004	.0004	.0005	.0006	.0007	.0008
31	.0005	.0005	.0004	.0004	.0004	.0004	.0004	.0005	.0006	.0007	.0008
30	.0005	.0004	.0004	.0004	.0004	.0004	.0004	.0005	.0006	.0006	.0007

\*59.5 INDICATES MEMBER AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

**METHOD: TWO-TIER**  
**TYPE: IMMEDIATE AT MEMBER'S DEATH (C)**  
**OPTION: CHILD ONLY OR**  
**SPOUSE/CHILD (IF SPOUSE IS NO LONGER ELIGIBLE)**

MEMBER'S AGE NEAREST BIRTHDAY AT ELECTION	AGE OF YOUNGEST CHILD										
	0	1	2	3	4	5	6	7	8	9	10
59.5	.0022	.0021	.0021	.0020	.0019	.0018	.0017	.0016	.0015	.0014	.0013
59	.0044	.0043	.0041	.0040	.0038	.0036	.0034	.0032	.0030	.0028	.0026
58	.0084	.0081	.0078	.0075	.0072	.0068	.0064	.0060	.0056	.0052	.0048
57	.0119	.0115	.0110	.0106	.0101	.0096	.0090	.0084	.0078	.0072	.0066
56	.0150	.0144	.0138	.0132	.0126	.0119	.0112	.0104	.0096	.0088	.0080
55	.0177	.0170	.0162	.0155	.0147	.0138	.0129	.0120	.0111	.0101	.0090
54	.0199	.0191	.0182	.0173	.0164	.0154	.0143	.0132	.0121	.0109	.0097
53	.0218	.0208	.0198	.0188	.0177	.0165	.0153	.0141	.0128	.0115	.0101
52	.0233	.0222	.0211	.0199	.0187	.0174	.0160	.0146	.0132	.0117	.0101
51	.0245	.0233	.0220	.0207	.0193	.0179	.0164	.0148	.0132	.0116	.0099
50	.0253	.0240	.0226	.0211	.0196	.0181	.0164	.0147	.0130	.0112	.0096
49	.0258	.0244	.0229	.0213	.0197	.0180	.0162	.0144	.0125	.0108	.0090
48	.0261	.0245	.0229	.0212	.0194	.0176	.0157	.0138	.0119	.0101	.0085
47	.0260	.0243	.0226	.0208	.0189	.0169	.0150	.0130	.0112	.0094	.0079
46	.0257	.0239	.0226	.0201	.0181	.0161	.0141	.0122	.0104	.0087	.0073
45	.0251	.0232	.0220	.0192	.0172	.0151	.0132	.0113	.0096	.0081	.0067
44	.0243	.0223	.0212	.0181	.0161	.0141	.0121	.0104	.0088	.0074	.0061
43	.0233	.0212	.0202	.0169	.0149	.0129	.0112	.0096	.0081	.0067	.0056
42	.0220	.0199	.0190	.0157	.0137	.0119	.0102	.0087	.0073	.0061	.0051
41	.0206	.0185	.0177	.0144	.0125	.0109	.0093	.0079	.0067	.0056	.0046
40	.0193	.0171	.0164	.0132	.0115	.0099	.0085	.0072	.0061	.0051	.0043
39	.0179	.0158	.0151	.0122	.0106	.0091	.0078	.0066	.0056	.0047	.0040
38	.0165	.0146	.0139	.0112	.0097	.0084	.0072	.0061	.0052	.0044	.0037
37	.0153	.0135	.0128	.0103	.0089	.0077	.0067	.0057	.0049	.0041	.0035
36	.0141	.0124	.0118	.0095	.0083	.0072	.0062	.0053	.0045	.0039	.0033
35	.0131	.0115	.0109	.0089	.0077	.0067	.0058	.0050	.0043	.0037	.0031
34	.0121	.0107	.0101	.0083	.0072	.0063	.0055	.0047	.0041	.0035	.0030
33	.0113	.0100	.0094	.0078	.0068	.0060	.0052	.0045	.0039	.0034	.0029
32	.0106	.0094	.0088	.0074	.0065	.0057	.0050	.0044	.0038	.0033	.0028
31	.0101	.0089	.0083	.0070	.0062	.0055	.0048	.0042	.0037	.0032	.0028
30	.0096	.0086	.0076	.0068	.0060	.0053	.0047	.0041	.0036	.0032	.0027

\*59.5 INDICATES MEMBER AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

**METHOD: TWO-TIER (CONT'D)**  
**TYPE: IMMEDIATE AT MEMBER'S DEATH (C)**  
**OPTION: CHILD ONLY OR**  
**SPOUSE/CHILD (IF SPOUSE IS NO LONGER ELIGIBLE)**

AGE OF YOUNGEST CHILD											
MEMBER'S AGE NEAREST BIRTHDAY AT ELECTION	11	12	13	14	15	16	17	18	19	20	21
59.5	.0012	.0011	.0009	.0008	.0007	.0005	.0004	.0004	.0004	.0003	.0002
59	.0024	.0021	.0019	.0016	.0014	.0011	.0008	.0008	.0007	.0006	.0004
58	.0043	.0039	.0034	.0029	.0024	.0018	.0014	.0013	.0011	.0009	.0007
57	.0059	.0052	.0045	.0038	.0030	.0023	.0017	.0016	.0013	.0011	.0010
56	.0071	.0062	.0053	.0043	.0034	.0026	.0019	.0017	.0015	.0013	.0011
55	.0080	.0069	.0057	.0046	.0036	.0027	.0019	.0018	.0016	.0013	.0012
54	.0085	.0072	.0059	.0047	.0036	.0027	.0019	.0018	.0016	.0014	.0013
53	.0086	.0072	.0059	.0046	.0035	.0026	.0019	.0018	.0016	.0014	.0013
52	.0086	.0071	.0057	.0044	.0034	.0025	.0018	.0017	.0016	.0014	.0014
51	.0083	.0068	.0054	.0042	.0032	.0024	.0017	.0017	.0016	.0014	.0014
50	.0079	.0064	.0051	.0040	.0030	.0023	.0017	.0016	.0015	.0014	.0014
49	.0074	.0060	.0048	.0037	.0028	.0021	.0016	.0016	.0015	.0014	.0015
48	.0070	.0056	.0045	.0035	.0027	.0020	.0015	.0015	.0015	.0014	.0015
47	.0065	.0052	.0041	.0032	.0025	.0019	.0014	.0015	.0015	.0014	.0015
46	.0060	.0048	.0038	.0030	.0023	.0018	.0014	.0014	.0014	.0014	.0015
45	.0055	.0044	.0035	.0028	.0022	.0017	.0013	.0014	.0014	.0014	.0015
44	.0050	.0041	.0033	.0026	.0020	.0016	.0012	.0013	.0014	.0014	.0015
43	.0046	.0037	.0030	.0024	.0019	.0015	.0012	.0013	.0013	.0014	.0015
42	.0042	.0034	.0027	.0022	.0017	.0014	.0011	.0012	.0013	.0014	.0015
41	.0038	.0031	.0025	.0020	.0016	.0013	.0011	.0012	.0013	.0014	.0015
40	.0035	.0029	.0024	.0019	.0015	.0012	.0010	.0011	.0012	.0014	.0015
39	.0033	.0027	.0022	.0018	.0015	.0012	.0010	.0011	.0012	.0014	.0014
38	.0031	.0025	.0021	.0017	.0014	.0012	.0010	.0011	.0012	.0013	.0014
37	.0029	.0024	.0020	.0017	.0014	.0011	.0009	.0011	.0012	.0013	.0014
36	.0028	.0023	.0019	.0016	.0013	.0011	.0009	.0011	.0012	.0013	.0014
35	.0026	.0022	.0019	.0016	.0013	.0011	.0009	.0010	.0012	.0012	.0014
34	.0025	.0022	.0018	.0015	.0013	.0011	.0009	.0010	.0011	.0012	.0014
33	.0025	.0021	.0018	.0015	.0012	.0010	.0009	.0010	.0011	.0012	.0014
32	.0024	.0020	.0017	.0015	.0012	.0010	.0009	.0010	.0011	.0012	.0013
31	.0024	.0020	.0017	.0014	.0012	.0010	.0009	.0010	.0011	.0012	.0013
30	.0023	.0020	.0017	.0014	.0012	.0010	.0009	.0010	.0011	.0012	.0013

**METHOD: TWO-TIER**  
**TYPE: DEFERRED TO MEMBERS AGE 60 (B)**  
**OPTION: INSURABLE INTEREST ONLY**

	-----YEARS YOUNGER THAN MEMBER-----										
MEMBERS AGE NEAREST BIRTHDAY AT ELECTION	50-54	45-49	40-44	35-39	30-34	25-29	20-24	15-19	10-14	05-09	00-04
*59.5	.0032	.0032	.0032	.0031	.0031	.0031	.0030	.0030	.0029	.0029	.0028
59	.0064	.0064	.0063	.0063	.0062	.0061	.0060	.0059	.0058	.0057	.0056
58	.0122	.0121	.0120	.0119	.0118	.0116	.0114	.0113	.0111	.0109	.0106
57	.0173	.0172	.0171	.0169	.0167	.0165	.0163	.0160	.0158	.0155	.0152
56	.0219	.0218	.0216	.0214	.0212	.0209	.0206	.0203	.0200	.0196	.0192
55	.0260	.0259	.0256	.0254	.0251	.0248	.0245	.0241	.0237	.0233	.0228
54	.0297	.0295	.0292	.0289	.0286	.0283	.0279	.0275	.0270	.0265	.0260
53	.0329	.0326	.0324	.0321	.0318	.0314	.0309	.0305	.0300	.0294	.0288
52	.0357	.0355	.0352	.0349	.0345	.0341	.0336	.0331	.0326	.0320	.0314
51		.0380	.0377	.0373	.0369	.0365	.0360	.0355	.0349	.0343	.0336
50		.0402	.0399	.0395	.0391	.0386	.0381	.0375	.0369	.0363	.0356
49		.0421	.0418	.0414	.0410	.0405	.0400	.0394	.0387	.0380	.0373
48		.0438	.0435	.0431	.0426	.0421	.0416	.0410	.0403	.0396	.0388
47		.0453	.0450	.0446	.0441	.0436	.0430	.0424	.0417	.0409	.0402
46			.0463	.0459	.0454	.0449	.0443	.0436	.0429	.0421	.0413
45			.0474	.0470	.0465	.0460	.0454	.0447	.0440	.0432	.0424
44			.0484	.0480	.0475	.0469	.0463	.0456	.0449	.0441	.0433
43			.0492	.0488	.0483	.0477	.0471	.0464	.0457	.0449	.0440
42			.0500	.0495	.0490	.0485	.0478	.0471	.0464	.0455	.0447
41				.0502	.0497	.0491	.0485	.0478	.0470	.0462	.0453
40				.0508	.0503	.0497	.0490	.0481	.0476	.0467	.0458
39				.0514	.0508	.0503	.0496	.0486	.0481	.0472	.0464
38				.0519	.0513	.0508	.0501	.0491	.0486	.0477	.0468
37				.0524	.0519	.0513	.0506	.0495	.0491	.0482	.0473
36					.0523	.0517	.0511	.0499	.0495	.0486	.0477
35					.0528	.0522	.0515	.0503	.0499	.0491	.0481
34					.0532	.0526	.0519	.0507	.0503	.0495	.0485
33					.0536	.0530	.0523	.0511	.0507	.0498	.0489
32					.0540	.0534	.0527	.0519	.0511	.0502	.0493
31						.0538	.0531	.0523	.0515	.0506	.0496
30						.0542	.0535	.0527	.0519	.0509	.0500

\*59.5 INDICATES MEMBERS AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

0 YEARS BENEFICIARY OLDER DETERMINED BY SUBTRACTING MEMBERS AGE NEAREST BIRTHDAY FROM BENEFICIARY'S AGE NEAREST BIRTHDAY.



**METHOD: TWO-TIER (CONT'D)**  
**TYPE: DEFERRED TO MEMBERS AGE 60 (B)**  
**OPTION: INSURABLE INTEREST ONLY**

	-----YEARS BENEFICIARY OLDER THAN MEMBER-----									
MEMBERS AGE NEAREST BIRTHDAY AT ELECTION	01-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49
*59.5	.0028	.0027	.0026	.0026	.0026	.0025	.0025			
59	.0055	.0054	.0053	.0052	.0051	.0051	.0051	.0051		
58	.0105	.0102	.0100	.0099	.0098	.0097	.0096	.0096		
57	.0149	.0146	.0143	.0141	.0139	.0138	.0137	.0137		
56	.0189	.0185	.0182	.0179	.0176	.0175	.0174	.0174		
55	.0224	.0220	.0216	.0212	.0209	.0208	.0207	.0207		
54	.0256	.0251	.0246	.0242	.0239	.0237	.0236	.0236	.0237	
53	.0284	.0278	.0273	.0269	.0265	.0263	.0262	.0262	.0263	
52	.0309	.0303	.0297	.0292	.0289	.0286	.0285	.0285	.0286	
51	.0331	.0324	.0318	.0313	.0309	.0307	.0305	.0306	.0306	
50	.0350	.0343	.0337	.0332	.0328	.0325	.0323	.0324	.0324	
49	.0367	.0360	.0354	.0348	.0344	.0341	.0339	.0339	.0340	.0340
48	.0382	.0375	.0368	.0362	.0358	.0355	.0353	.0353	.0354	.0354
47	.0395	.0388	.0381	.0375	.0370	.0367	.0365	.0366	.0367	.0366
46	.0407	.0399	.0392	.0386	.0381	.0378	.0376	.0377	.0377	.0377
45	.0417	.0409	.0402	.0396	.0391	.0387	.0386	.0386	.0387	.0386
44	.0426	.0418	.0410	.0404	.0399	.0396	.0394	.0394	.0395	.0395
43	.0433	.0425	.0418	.0411	.0406	.0403	.0401	.0401	.0402	.0402
42	.0440	.0432	.0424	.0417	.0412	.0409	.0407	.0407	.0408	.0408
41	.0446	.0437	.0430	.0423	.0418	.0414	.0412	.0413	.0414	.0413
40	.0451	.0443	.0435	.0428	.0423	.0419	.0418	.0418	.0419	.0418
39	.0456	.0448	.0440	.0433	.0428	.0424	.0422	.0423	.0423	.0423
38	.0461	.0452	.0444	.0438	.0432	.0429	.0427	.0427	.0428	.0427
37	.0466	.0457	.0449	.0442	.0437	.0433	.0431	.0431	.0432	.0432
36	.0470	.0461	.0453	.0446	.0441	.0437	.0435	.0435	.0436	.0435
35	.0474	.0465	.0457	.0450	.0444	.0441	.0439	.0439	.0440	.0439
34	.0478	.0469	.0461	.0454	.0448	.0444	.0442	.0443	.0443	.0443
33	.0482	.0472	.0465	.0457	.0452	.0448	.0446	.0446	.0447	.0446
32	.0485	.0476	.0469	.0461	.0455	.0451	.0449	.0449	.0450	.0450
31	.0489	.0480	.0472	.0464	.0458	.0455	.0452	.0453	.0454	.0453
30	.0492	.0483	.0475	.0467	.0462	.0458	.0456	.0456	.0457	.0456

\*59.5 INDICATES MEMBERS AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

0 YEARS BENEFICIARY OLDER DETERMINED BY SUBTRACTING MEMBERS AGE NEAREST BIRTHDAY FROM BENEFICIARY'S AGE NEAREST BIRTHDAY

**METHOD: TWO-TIER**  
**TYPE: IMMEDIATE AT MEMBERS DEATH (C)**  
**OPTION: INSURABLE INTEREST ONLY**

	-----YEARS YOUNGER THAN MEMBER-----										
MEMBERS AGE NEAREST BIRTHDAY AT ELECTION	50-54	45-49	40-44	35-39	30-34	25-29	20-24	15-19	10-14	05-09	00-04
*59.5	.0035	.0035	.0035	.0034	.0034	.0033	.0033	.0033	.0032	.0031	.0031
59	.0070	.0070	.0069	.0068	.0068	.0067	.0066	.0065	.0064	.0063	.0062
58	.0134	.0133	.0132	.0131	.0130	.0128	.0127	.0125	.0123	.0122	.0120
57	.0192	.0191	.0190	.0189	.0187	.0185	.0183	.0181	.0179	.0176	.0174
56	.0246	.0244	.0243	.0241	.0239	.0237	.0235	.0232	.0229	.0227	.0224
55	.0294	.0292	.0291	.0289	.0286	.0284	.0282	.0279	.0276	.0273	.0271
54	.0337	.0336	.0334	.0332	.0330	.0327	.0324	.0322	.0319	.0316	.0314
53	.0377	.0375	.0373	.0371	.0369	.0366	.0363	.0361	.0358	.0356	.0354
52	.0412	.0411	.0409	.0406	.0404	.0402	.0399	.0396	.0394	.0392	.0390
51		.0443	.0441	.0439	.0436	.0434	.0431	.0428	.0426	.0424	.0424
50		.0471	.0470	.0467	.0465	.0463	.0460	.0458	.0456	.0454	.0454
49		.0497	.0495	.0493	.0491	.0489	.0486	.0484	.0483	.0481	.0482
48		.0520	.0519	.0517	.0514	.0512	.0510	.0508	.0507	.0506	.0507
47		.0541	.0539	.0538	.0535	.0533	.0531	.0530	.0529	.0528	.0530
46			.0558	.0556	.0554	.0552	.0550	.0549	.0549	.0548	.0551
45			.0575	.0573	.0571	.0569	.0567	.0566	.0566	.0567	.0570
44			.0590	.0588	.0586	.0584	.0583	.0582	.0582	.0583	.0586
43			.0603	.0601	.0599	.0598	.0596	.0596	.0596	.0598	.0602
42			.0614	.0613	.0611	.0610	.0609	.0608	.0609	.0611	.0615
41				.0624	.0622	.0621	.0620	.0620	.0620	.0623	.0628
40				.0634	.0633	.0631	.0631	.0631	.0632	.0635	.0640
39				.0644	.0643	.0642	.0641	.0641	.0643	.0646	.0652
38				.0654	.0652	.0651	.0651	.0651	.0653	.0657	.0663
37				.0663	.0662	.0661	.0661	.0661	.0663	.0667	.0674
36					.0671	.0670	.0670	.0671	.0673	.0677	.0685
35					.0679	.0679	.0679	.0680	.0682	.0687	.0696
34					.0688	.0687	.0687	.0689	.0692	.0697	.0706
33					.0696	.0696	.0696	.0698	.0701	.0706	.0716
32					.0704	.0704	.0705	.0706	.0710	.0716	.0726
31						.0713	.0713	.0715	.0719	.0726	.0736
30						.0721	.0722	.0725	.0729	.0736	.0747

\*59.5 INDICATES MEMBERS AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

0 YEARS BENEFICIARY OLDER DETERMINED BY SUBTRACTING MEMBERS AGE NEAREST BIRTHDAY FROM BENEFICIARY'S AGE NEAREST BIRTHDAY.

**METHOD: TWO-TIER (CONT'D)**  
**TYPE: IMMEDIATE AT MEMBERS DEATH (C)**  
**OPTION: INSURABLE INTEREST ONLY**

	-----YEARS BENEFICIARY OLDER THAN MEMBER-----									
MEMBERS AGE NEAREST BIRTHDAY AT ELECTION	01-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49
*59.5	.0030	.0030	.0030	.0029	.0029	.0029	.0030			
59	.0061	.0060	.0059	.0059	.0058	.0059	.0060	.0062		
58	.0118	.0117	.0116	.0116	.0117	.0120	.0126	.0134		
57	.0172	.0171	.0170	.0171	.0175	.0183	.0196	.0215		
56	.0223	.0221	.0222	.0225	.0232	.0246	.0270	.0306		
55	.0270	.0269	.0271	.0276	.0287	.0309	.0347	.0405		
54	.0313	.0313	.0317	.0325	.0341	.0372	.0426	.0510	.0614	
53	.0353	.0354	.0359	.0370	.0392	.0433	.0504	.0602	.0768	
52	.0390	.0393	.0399	.0414	.0441	.0492	.0583	.0733	.0932	
51	.0424	.0428	.0437	.0454	.0487	.0549	.0660	.0848	.1103	
50	.0455	.0460	.0471	.0492	.0531	.0604	.0735	.0962	.1278	
49	.0484	.0490	.0503	.0527	.0572	.0655	.0808	.1074	.1452	.2087
48	.0510	.0517	.0532	.0560	.0611	.0704	.0877	.1182	.1623	.2339
47	.0534	.0542	.0559	.0590	.0646	.0750	.0943	.1287	.1788	.2578
46	.0555	.0565	.0584	.0618	.0679	.0793	.1006	.1386	.1945	.2798
45	.0574	.0586	.0606	.0643	.0710	.0833	.1064	.1480	.2093	.2998
44	.0592	.0604	.0627	.0666	.0738	.0870	.1119	.1567	.2230	.3177
43	.0608	.0621	.0645	.0688	.0764	.0905	.1170	.1649	.2356	.3336
42	.0622	.0636	.0662	.0707	.0787	.0936	.1217	.1724	.2472	.3475
41	.0635	.0651	.0678	.0725	.0810	.0966	.1262	.1797	.2582	.3603
40	.0648	.0664	.0693	.0743	.0831	.0996	.1306	.1869	.2688	.3721
39	.0660	.0678	.0708	.0760	.0853	.1025	.1350	.1939	.2791	.3830
38	.0672	.0691	.0723	.0777	.0874	.1054	.1394	.2008	.2890	.3929
37	.0684	.0704	.0737	.0794	.0895	.1082	.1436	.2076	.2984	.4019
36	.0695	.0716	.0751	.0810	.0915	.1110	.1478	.2142	.3074	.4101
35	.0706	.0728	.0764	.0826	.0935	.1137	.1520	.2207	.3160	.4175
34	.0717	.0740	.0778	.0842	.0955	.1165	.1561	.2270	.3242	.4242
33	.0728	.0751	.0791	.0857	.0975	.1192	.1603	.2333	.3320	.4302
32	.0739	.0763	.0804	.0873	.0995	.1220	.1644	.2395	.3396	.4358
31	.0750	.0775	.0818	.0889	.1016	.1248	.1687	.2459	.3471	.4410
30	.0761	.0788	.0832	.0906	.1037	.1278	.1731	.2523	.3544	.4459

\*59.5 INDICATES MEMBERS AGE GREATER THAN OR EQUAL TO 59.5 BUT LESS THAN 60.

0 YEARS BENEFICIARY OLDER DETERMINED BY SUBTRACTING MEMBERS AGE NEAREST BIRTHDAY FROM BENEFICIARY'S AGE NEAREST BIRTHDAY

## MEMORANDUM TO DISK USERS

SUBJECT: SBP Valuation Disk

Enclosed is a disk containing six executable programs that will operate on any IBM PC or compatible system. The programs are:

1. SBP1998.EXE, which computes today's and future values of selected survivor benefit elections,
2. SUPSBP98.EXE, which values supplemental survivor benefits (SSBP),
3. SBPLIFE8.EXE, which computes how much insurance a retiree should have on his (or her) life to provide the same protection that SBP offers,
4. PREM98.EXE, which computes SBP and SSBP premiums for any selected of coverage,
5. PROBSBP8.EXE, which computes the probability that a retiree's spouse will die first, and
6. OFFSET98.EXE, which replicates the annual military earnings of a retiree and estimates the dollar amount of the SBP Social Security offset.

If you have any questions, please contact one of us at the DoD Office of the Actuary, 1555 N. Wilson Blvd., Suite 701, Arlington, VA 22209-2593.

Penny Westmoreland  
Actuary  
(703) 696-7411  
AV426-7411  
Fax: (703) 696-4110

Chris Doyle  
Deputy Chief Actuary  
(703) 696-7407  
AV426-7407

### SURVIVOR BENEFIT PROGRAM, SBP1998 Version 8.0 (January 1998)

This program can aid the Retirement Counselor in counseling military retirees about the Survivor Benefit Plan. Along with other analyses, it compares SBP with private sector term insurance.

SBP1998 prints up to three reports. The first contains a summary of personal data, economic assumptions, cost and benefit information, and the total cost and government subsidy. The second report is a term insurance equivalence analysis, and the third is a letter from the DoD Chief Actuary. Reports two and three are optional.

## INSTRUCTIONS FOR RUNNING THE SBP PROGRAM:

The SBP valuation program is contained in a file named SBP1998.EXE. Thus, if you run SBP from a floppy, you must first set the default drive to indicate where the program resides. Do this by typing A: (or B:) followed by pressing the ENTER key. Then type SBP1998.

If you wish to run this program from a hard disk, you must first copy SBP1998.EXE into a directory.

## EXPLANATION SHEET FOR SBP VALUATION MATRIX (REPORT 1)

### Column

- (1) Level of SBP coverage.
- (2) Base amounts:
  - None - SBP coverage declined.
  - Threshold - the low cost, 2.5% premium option.
  - Maximum - premium based on full retired pay.
  - Chosen - premium for base amount you select.
- (3) Monthly retired pay, after the SBP premium has been deducted (before-tax amount).
- (4) Monthly SBP premium (this is not taxed).
- (5) Present value of member's lifetime retired pay, plus spouse's lifetime SBP benefits (taxed according to both couple's and surviving spouse's tax rates respectively).
- (6) Present value of lifetime SBP benefits received (taxed according to surviving spouse's tax rate).
- (7) Present value of lifetime SBP premiums paid (taxed according to couple's tax rate).
- (8) The percent of your SBP premiums expected to be paid for by the Government under this SBP coverage.

EXPLANATION SHEET FOR SBP AND  
TERM LIFE INSURANCE COMPARISON  
(REPORT 2)

Column

- (1) Projection year.
- (2) Your projected age.
- (3) Your chance of dying sometime before or at the projected age.
- (4) At your projected age in Column (2), this is the lump-sum value of your future retired pay, taking into account inflation, interest, mortality and taxes, if any.
- (5) The annual reduction in your retired pay for SBP coverage. This contribution increases each year with the cost of living, as does the retired pay.
- (6) The accumulated value, with interest, of your SBP contributions in Column (5) at the end of the year. (Note that interest will accumulate on your monthly premiums during the year, so the number in the first row includes some interest.)
- (7) Your spouse's projected age.
- (8) The SBP benefits payable to your spouse if you die.
- (9) The face amount of a term life insurance policy that would pay your spouse the remaining SBP benefits in Column (8) if you were to die at the age in Column (2).
- (10) The one-year premium for the insurance in Column (9). This premium rises dramatically as you get older.
- (11) The accumulated value, with interest, of the one-year premiums in Column (10) at the end of the year.